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Angiogold's Bobby Godsell | Pu 'A lot of fund managers think blacks can't run companies' Profile; Page 7



Personnel management How they tie down nomads in Silicon Valley Page 9



Germany's shaky recovery Difficulties in removing the spin from statistics

Airline connections If things look tight take an earlier flight Page 8

WORLD NEWS

Fig. 1 The second of the secon

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San the Back

Orange Order under new pressure to end **Drumcree stand-off**

Northern ireland's protestant Orange Order was under pressure last night to end the week-long stand-off between Orangemen and security forces in Drumcree. A leading Orangeman called for the protest to be lifted after the murder of three young brothers, killed in their beds in a sectarian firebomb attack in Ballymoney, County Antrim. Page 16; Tragedy brings hope, Page 6

France win World Cup final France swept to an unexpected victory in the World Cup final in Parls, beating holders Brazil 3-0, despite having a man sent off. World Cup, Page 12

Cotton dumping duties spark row Eight European Union states will accuse the European Commission of flouting the will of the majority of EU members by imposing antidumping duties on cotton imports from six emerging markets for the second time. Page 3

Bi opposes US Burma sanctions Co-operation between the US and the European Union on foreign policy is being hindered by a Massachusetts law imposing sanctions on companies that do business in Burma, the EU said in a brief filed with the US District Court in Massachusetts. Page 3

Cambridge school for entrepreneurs Cambridge University is to establish a US-style school of entrepreneurship in a move which signals a sea-change in the relationship between the business world and Britain's top universities. Page 6

Biological weapons talks continue Talks on anti-cheating provisions for an international pact banning biological weapons will not be completed by the end of this year, the target date set by the US and the European Union. Page 4

Syria seeks partnership with France Syrian President Hafez al-Assad ek strategic partnership wi France during an official visit to Paris this week, the first by the Syrian leader in 22 years.

Clinton faces battle on vetoes President Clinton and the Republicans are heading for a spate of veto fights over abortion, schools and other issues that both hope will help them win November's battle for control of Congress. Page 4

US backs Israeli withdrawal terms The US is attempting to end the deadlock in the Middle East peace process by backing a plan that hows to Israeli reluctance to hand parts of the occupied West Bank to the Palestinians. Page 4;

A Cry for Freedom, Page 9 Colombian guerrillas in peace talks Colombian leftwing guerrillas began talks in Germany with civilian representatives, raising hopes of an initiative to end more than 35 years of armed conflict. Page 4

Habible drops single-term pledge Indonesia's President B. J. Habibie has said he may run for a second term, abandoning a pledge made in May that he would be only a transitional leader. Page 2; Indonesian glasnost, Page 14

Nigeria may postpone civilian rule General Abdulsalam Abubakar, Nigeria's military leader, is expected to announce a postponement of the promised October 1 handover to civilian rule in a national broadcast this week. Page 4

Mandela warns South African police President Nelson Mandela vowed at a funeral to combat "sinister" elements in South Africa's security forces after suggestions the police might be involved in violence which killed 23 people last week.

Euro prices, Page 25

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BHE TO

Market Service

BUSINESS NEWS

Russia and IMF fail to reach final deal on loan package

Russia's talks with the International Monetary Fund ended last night without final agreement about a multi-billion dollar support pack-age, but Russian officials suggested a deal could be reached soon. A deal with the World Bank that could lead to release up to \$1.5bn appears set. Page 3; Editorial Comment, Page 15

Ford Motor is expected to announce today that it is to buy Cosworth Racing, the motor sport division of the high-performance engine maker Cosworth, tollowing the sale of the whole of Cosworth to Volkswagen by Vickers, the UK engineering group. Page 18

Memili Lynch, the US securities firm, is understood to be confident it will not have to pay "anywhere near" a reported \$300m figure in compensation for losses the Belgian government ran up in a series of high-risk derivatives deals carried out in London between 1989 and 1993. Page 20

Rabobank is to merge with Achmea, a rival Dutch co-operative institution, creating a strong competitor to the Netherlands' leading financial services groups. As a first stage, Rabobank's Interpolis insurance operation and its Robeco fund management subsidiary will enter a joint venture with Achmea's activities. Page 17

UK business confidence collapsed to a five-year low in the aftermath of the decision by the Bank of England last month to raise interest rates. Dun & Bradstreet, the business information group, said the number of businesses expecting to increase their sales had dropped from three in four to two out of three in three months. Page 6

Central bank governors from more than 30 countries at a meeting in Tokyo of the Bank of International Settlements will hear further details today of Japan's "bridge bank" scheme to tackle the country's bad-debt problems. Page 2; Editorial Comment, Page 15

Trade negotiators from the European Union, Japan, the US and Canada have begun consultations on an agenda for the next round of talks toward removing barriers to trade in services. Page 3

Australia's Senate has blocked controversial legislation to privatise the remaining two thirds of Telstra, the telecommunications company, to raise an estimated A\$45bn (US\$28bn). Page 2

Company takeovers in most of Asia have dried up while cross-border merger activity continues to surge in the rest of the world, according to a survey by KPMG Corporate Finance. The value of Asian and Pacific cross-border deals was \$18bn for the first half of 1998, more than a third below the \$29bn for the period in 1997. Page 17;

US eyes Asian storm; Page 15 **Bulf smelters** Dubai Aluminlum and Aluminium Bahrain took advantage of the fall-off in Asian loan prospects to get unusually fine rates from Gulf and international banks

for expansion. Page 21 **Applied Materials** of the US, largest supplier of semiconductor production equipment, warned of reduced earnings for the current quarter. Page 20

Lex on euro policy 'For now, Duisenberg's bark is likely to be stronger than his bite'

This chart shows the official

European Central Bank at the

Interest rates of the 11
scount
Repo In Europe's forthcoming

Repo single currency. Analysis
Tender surveyed by Standard 8.
Poor's MMS expect the short term interest rates of the 11 countries to converge at a 3.75% initial rate for the

Short-term

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EURO INTEREST RATE CONVERGENCE

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Hashimoto likely to resign after election setback

Analysts warn of upheavals in Japanese financial markets

Ryutaro Hashimoto, Japan's prime minister, will almost cer-Party in yesterday's upper house elections.

Mr Hashimoto, looking hag-

gard in a late night television appearance, said he would make his "intentions known" about his possible resignation at a meeting of LDP executives today.

"The result is due to my lack of ability. I would like to state outright what I have in mind at today's meeting of party leaders,"

to step down. Leading candidates

among Japanese with Tokyo on an official visit.

nomic management.

tainly resign following a setback

3am, the LDP had won less than scheme to tackle the banking sysfor his ruling Liberal Democratic

45 seats - well short of the 61 tem's bad-debt problems. More The result was far worse than

> Financial analysts warned that tional Settlements meeting in Mr Hashimoto's likely resigna-

INSIDE Page 15

LDP officials said last night Mr
Hashimoto "had no choice" but tion and the LDP's defeat in the upper house - although it will Mr Hashimoto's resignation

The election, for half the 252 would also throw Japan's foreign seats in the upper house, tradi- policy into disarray. He was there is a fresh face, there can be tionally draws little attention as scheduled to visit the presidents fresh policies. the chamber has limited powers. of France and the US next week. But the deterioration of Japan's Today, Serget Kiriyenko, the Rus- incumbent to be aggressive in "Today the national voice said independents won 20 seats. economy and dissatisfaction sian prime minister, arrives in offering tax cuts and injecting 'no' to Hashimoto and the LDP. The Sakigake, the former

contest into a national referen- warned the election could affect dum on Mr Hashimoto's eco-nomic management wanted the decision condition on economic reforms, including Mr Hashi-Toward the close of counting at moto's proposed "bridge bank" seats it held before the election than 30 central bank governors. and the 69 needed for a majority. including Alan Greenspan, chairman of the US Federal Reserve,

are attending a Bank of Interna-

Tokyo today. Takashi lmai, chairman of the Keidanren, Japan's largest business federation, said the results "show that the electorate wants further measures to pull the country out of the recession".

Analysts predicted a period of turmoil as the LDP struggles to put together a new cabinet. Peter Kajiyama, former chief cabinet - could cause upheavals in Japa- short-term there is likely to be and the yen, but mildly negative to choose the administration." ister. But in the medium-term, if funded out of new debt."

new government spending. That What became clear is the neces- junior coalition partner with the government policies turned the More significantly, LDP leaders should be positive for equities sity for the people themselves LDP, failed to win a single seat.



to step down. Leading candidates upper house - although it will Tasker, strategist at Dresdner Ryutaro Hashimoto yesterday: "Result is due to my lack of ability" to succeed him include Seiroku not unseat the party from power Kleinwort Benson, said: "In the

secretary, and Keizo Obuchi, for- nese stock and currency markets. confusion as factions in the LDP for bonds, given that additional The Democratic Party won 26 jockey to select a new prime min- spending would have to be seats, the Communist Party more

than doubled its representation The result is a triumph for the to 14, the Komei party took nine newly-formed Democratic Party. seats, the Liberal Party six and "It will be easier for the new Naoto Kan, party leader, said: the Social Democrats five, while

Paris told it could join exchanges alliance

Deutsche Bank chairman says France might have 20% stake bourses to be involved from the start.

Rolf Breuer, chairman of London and Frankfurt stock of Frankfurt's position as the exchanges to forge a strategic alliance by saying Paris could its choice as the location for the join in with a significant minority stake.

Breuer, who also heads the supervisory board of Deutsche Börse, which runs the Frankfurt ecurities exchanges.

blow for the euro" and an abuse centre of the eurozone through European Central Bank.

It was wrong for the French to "This is not a closed shop or a talk of "betrayal", Mr Breuer London-Frankfurt axis against said. But he could understand Paris or against all the others, but the nucleus of a working not among the "founding and Germany was that past expeparty with an open invitation to fathers" of the deal between the all who are interested," said Mr UK and German markets aimed at paving the way for a pan-European equities market. If the French exchange wanted

ecurities exchanges. to join the exchange partnership, Michael Freyche, head of the London and Frankfurt could

Deutsche Bank, sought to soothe French bankers' association, had reduce their planned 50-50 stakes in the initial exclusion of France. exchange wants to be among the French outrage over last week's called the exchange deal "a bad to, say, 40-40, allowing Paris to It was a private business venture first at the table once London

> Frankfurt would retain parity." These were hypothetical figures, he said. The participation Frankfurt as the seat of the ECB, Amsterdam Exchanges, operator level of France and other exchanges would depend on the its president - in line with Ger- tives markets, said in a local volume of trading brought in.

The reason the agreement had rience over negotiating bourse alliances had shown the danger of collapse. "Things get talked to pieces, as in the United Nations, and no solution emerges."

Mr Breuer dismissed French suspicions of political motivation

have 20 per cent. "London and in which politics did not play a and Frankfurt open their talks to role. There was no "chain of evil include other European bourses. deeds" linking the selection of

London exchange agreement.

technology, clearing and settlement systems, and regulations. real work starts now," he said, adding that it would have been

George Möller, president of the choice of Wim Duisenberg as of the Dutch equities and derivaman wishes - and the Frankfurt- press interview at the weekend that he would rather this hap-Mr Breuer said the agreement pened immediately than after was still only a letter of intent, about six months, as planned by with much work to be done on the German and British sides.

While acknowledging the dan ger that AEX could lose volume "The devil is in the detail. The in its biggest stocks, he said he would not seek a deal at all costs.

impractical for all European Deutsche on US trail, Page 17

Internet defamers at risk after court move

By Scott Morrison in Toronto and Louise Kehee in Sau Francisco

lefamatory remarks on the internet may become more vulnerable to legal action following a Canadian court ruling that forces several internet service providers to reveal the identities of subscribers using pseudonyms.

The Ontario court order was obtained by Philip Services, a Canadian waste recycling company, which has alleged it was defamed in an internet discussion group by individuals using

pseudonyms. The Electronic Frontier Foundation, a US free speech advocacy group, said the court ruling, which came to light last Thursday, was "very disturbing". Barry Steinhardt, EFF president, said it seemed to provide Philip Services with private information. It also threatened the ability of individuals to use pseudonyms

on the net But David Potts, a Canadian lawyer specialising in internet libel, said the Philip Services decision served notice that people must "act the same way online as

off-line".

Mike Godwin, an authority on cyberspace rights, predicted there would be a similar outcome in a US court should a corporation seek the identity of an internet user alleged to be defaming The ruling could prompt other

actions to identify their online critics, US libel lawyers said.

The case may also have reper-Individuals who make cussions beyond the jurisdiction of the Canadian court. George Clark, a media and libel lawyer at Reed Smith Shaw and McClay in Washington, said legal decisions involving the internet were watched closely around the world because of the global scope of

Philip Services, a former stock market darling, has recently seen its share price fall by about 80 per cent after suffering trading losses, the departure of key officlals and accounting errors that forced it to restate results and

reveal big losses. Internet users with pseud onyms, posting messages to a board maintained by Yahooi,the US online media group, made allegations about the company and its executives that the company felt were defamatory.

The court order will provide Philip Services with account information as well as all internet messages sent by about 10 individuals.

While individuals can use a pseudonym online, their real names and addresses are known to the service provider for billing

Philip Services is not alone as a target of self-styled business commentators on the internet. Microsoft is frequently lambasted and Intel has also fallen foul of online critics. Neither company has businesses to launch similar legal brought legal action.

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Japan's efforts to restructure its troubled banking system will come under the international spotlight today, when central bank governors from more than 30 countries

Japanese officials said they would provide further details of the government's "bridge bank" scheme to tackle bad-debt problems to visiting officials - including Alan Greenspan, chairman of the US Federal Reserve. and Hans Tietmeyer, president of the German Bundesbank, who will chair the

The two central bank chiefs will also meet Masaru Hayami, governor of the Bank of Japan, and Hikaru Matsunaga, Japan's finance

BIS officials are likely to press Japanese authorities to raise minimum capital adequacy ratios for banks above the 8 per cent minimum

Andrew Crockett, BIS general manager, said Japan had been slow to turn its attention to problems in the banking system, although he described the bridge bank

scheme as a "good sign". The BIS meeting will also focus on the Asian financial crisis and Japanese proposals to promote yen-denominated loans to other central banks, mostly in Asia.

Japanese officials said the proposal would help stabilise regional economies, which have seen the decline of local currencies lift the burden of dollar-denominated debt. But analysts said the scheme also reflected Tokyo's growing fears that Europe's move to a single currency would further isolate the yen.

Under the proposal regional central banks could use their holdings of Japanese government bonds as agreements in exchange for yen loans.

The officials in Tokyo said market trading today. By they hoped to conclude bilateral agreements on the new system with regional central banks, including China and Singapore, within the year.

The meeting will also con- for the faction-ridden LDP. est faction in the LDP, and sider a BIS report on Mr Hashimoto survived in responses to foreign large part because there are exchange settlement risks few takers for his job. and a proposal to establish an international institution act quickly. Failure to do so succeed Mr Hashimoto. to deal with such risks, to be will lead to policy paralysis, Yohei Kono, a former LDP financed by about 60 interna- provoking market turmoil. tional banks.

The BIS has been generally pleased at the efforts private sector banks have taken in the last two years to tackle foreign exchange settlement risks, but senior act quickly in order not to ever, Mr Obuchi is widely central bankers are anxious not to give the impression that the threat has disanpeared. However, the BIS is not expected to require banks to bold additional capital as a specific cushion against a disruption to foreign exchange settlements. Steps to improve internal settlement procedures are

expected to be applauded. Central bankers are especially pleased at the merger of Multinet and Echo, netting systems which reduce settlement risk by offsetting the amounts banks owe each other, and by the establishment of CLS Bank, which will provide a global real

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JAPANESE ELECTIONS VOTERS DELIVER A DAMNING INDICTMENT | HUNT BEGINS FOR PREMIER'S SUCCESSOR

Hashimoto's day of reckoning

Harney and Gwen Robinson in Tokyo

Japanese voters yesterday delivered a devastating indictment of Mr Ryutaro Hashimoto's government, inflicting the worst defeat on the ruling Liberal Democratic party (LDP) since it lost its majority in the upper house nearly a decade ago. It was less an election more than 30 countries than a reckoning - a reckonattend a Bank of Internating that today will probably tional Settlements meeting cost Mr Hashimoto his job. Outside the Yanaka Elementary School in the Taito district of Tokyo, local residents arriving at the polling booths were unambiguous about the main reason for their dissatisfaction. It was the LDP's failure to manage the economy, which this year is set to contract for the

second year running. "The economy, just the economy, ultimately the economy," said Hiroshi Ogawa, a noodle shop owner who voted for an unaffiliated candidate. "When I worked for a company I backed the LDP. But when I opened my store I started to think about the economy more, and their policies stopped making so much sense."

Mr Hashimoto must take part of the blame for the country's worst recession since the second world war. He contributed to the malaise through his fixation on Japan's rapidly ageing population and the government's huge budget deficit.

Following the economy's apparent recovery in 1996 he the deficit through an increase in sales taxes and cuts in government spend-

begun the search for a new

the fact that Hashimoto is

resigning," says Takayoshi

Miyagawa, a political ana-

create a political vacuum."

sus-driven world of Japanese

likely removal will trigger a

supporters and the more

conservative factions that

This will be a tough task

The markets may lavour runner.

politics and Mr Hashimoto's post-war history.

leader.

Embattled party

faces tough task

There are likely to be few takers for the

premier's job, writes Michiyo Nakamoto

Hashimoto is unlikely to Mr Hashimoto last night, survive beyond midday giving no hint of which way

then Japan's ruling Liberal will convey my own decision

Democratic party will have to the executive board, based

But the LDP will need to most likely candidates to

"But the LDP will have to to succeed the premier. How-

to fill the void

Japan: ruinous record Nikel 225 Average (1000)

ing. The policy was not in little credit. The process of itself wrong-headed, but the policy-making involved contiming was disastrous and contributed hugely to the

Having created the crisis Mr Hashimoto compounded the problem through inaction. Through much of last year the LDP refused to change policies, insisting the economy was on track. When the LDP's denial of

Japan's economic realities was finally overwhelmed by consistently bad economic data, the ruling party's response appeared muddled. In fact Mr Hashimoto's cabinet moved at impressive speed - in Japanese terms at least - performing a policy U-turn of epic proportions tax cuts and increased public spending. It also created a system to deal with problem loans in the banking system.

But while such moves were impressive, the way in which the LDP reached the in the yen and the stock policy changes did the party

the party would swing. "I

Keizo Obuchi, foreign min-

ister and leader of the larg-

Seiroku Kajiyama, who has

led the anti-Hashimoto camp

in the party, are seen as the

executive, is also a front-

est faction in the LDP and,

going by the convention of

Mr Obuchi leads the larg-

on the final results."

tradictory statements and leaks, indicating Mr Hashimoto's party was divided over almost every move. Previously policy had been made by bureaucrats, but corruption scandals in the Ministry of Finance left politicians in charge. What

became apparent was they

were ill-equipped to fill the

The most recent and dramatic example of the LDP's disarray on policy-making came only last week and involved the subject of permanent tax cuts. At a wellpublicised meeting before an election rally, Mr Hashimoto managed to utter a sentence involving the words "tax cuts" and "permanent" without actually committing himself to permanent tax

His prevarication has been blamed for the wild lurches market in recent weeks. By

weakness and indecision had, in the eyes of many voters, wiped out the premier's considerable achievements: his government's "Big Bang" programme of financial deregulation; his bold steps in foreign policy, including strengthening Japan's relations with China and Russia: and his even bolder expansion of Japan's defence

co-operation with the US. Many of Mr Hashimoto's policy initiatives were moves which brought down previous, and lesser, Japanese leaders. But, as Mineko Takahashi, a social worker, said: "It is impossible for us to remember those sort of things...for ordinary folk we could only see things getting worse."

For Mr Hashimoto, one of the most bitter ironies of yesterday's humiliating defeat was the result of his party's efforts to increase voter turnout by extending voting time by two hours. In

yesterday such signs of the previous upper house election, in 1995, voter turn out was a record low 44 per cent. This time, whether it was the extra time or the unusually mild mid-summer weather, voter turnout was up to about 60 per cent, exceeding all predictions. But they did not come out to

vote for the ruling party. One of the most significant changes in sentiment could be seen in Yamanashi, a former LDP stronghold and for decades a prime beneficiary of generous public works spending and political patronage.
"Yamanashi is very con

servative and the LDP is very powerful," said Eisuka Osawa, a retired business man. "But this time thing were different...the economy wasn't doing so well, and it really seemed people wanted change. And there was that problem with Mr Hashimoto's prevarication – especially on things like



The names in play: (clockwise from top left) Seiroku Kajiyama, Klichi Miyazawa, kingmaker Yasuhiro ne, Keizo Obuchi, and Yohel Kono

tion. Minoru Morita, a political analyst, says the LDP needs to send a strong signal to the public that it has reversed policy from one of fiscal seniority, he would be in line stringency to one of expan- Kiichi Miyazawa or Noboru sion, and implement measures to reflate the economy. considered to lack the lead- Mr Kajiyama is seen as an effective candidate to carry

Filling the void will not be ership necessary to pull an easy task in the consen- Japan through one of the such a policy. most troubled periods in its However, while he has the support of former prime min-He is also disadvantaged ister Yasuhiro Nakasone, big power struggle within by his support for Mr Hashiwho is emerging as the LDP the party between his few moto and the current LDP kingmaker, he does not have secretariat. Koichi Kato, seca strong following within the with its ailing economy. retary-general of the LDP, party. He has also made provocative statements about defeat the LDP depended on laws mandating the govern-financial issues, such as rais-alliances in the upper house; ment to cut the budget defihave sought to undermine and Taku Yamasaki, the party's policy chief, have both "The question of my indicated they are prepared ing the discount rate to help now it will seek them even cit and therefore adopt more responsibility is something I to resign to take responsibil-

ity for the disastrous elec- would have a devastating the LDP holds a majority in effect on much of Japan's the more powerful lower heavily indebted corporate

> LDP leaders may decide, though, to bring back one of its old guard - Mr Nakasone. Whatever the outcome, yesterday's humiliating

defeat in elections for the largely ceremonial upper house will have negative consequences for policy formation at a time when Japan has an urgent need to the LDP remains unreconimplement legislation to deal structed with no serious

house, there will doubtless be strong calls for general elections (the party is not obliged to hold such elections before autumn 2000).

"The party will have to call for general elections early to secure the support of the public," said Minoru Morita, a political analyst. In the short term the markets are likely to remain unsettled until a new prime minister is installed. He female contenders - would Even before yesterday's have a freer hand to reverse pensioners - a move that more desperately. And while expansionary fiscal policies.

INDONESIAN REFORM NEW PRESIDENT TELLS FOREIGN JOURNALISTS OF HIS 'MISSION IMPOSSIBLE'

leaves the new president Mr Suharto. secure in parliament, backed His biggs

tolerated by opposition lead-

weeks after taking over in

"The most ready govern-

Habibie raises prospect of second term impeaching Mr Habibie dismiss him as a lackey of shooting of four student pro- Suharto lost his grip on

By Sander Theenes in Jakarta

Indonesia's President B.J. Habibie has said he may run for a second term, abandoning a pledge made after he ers who thought he would to release a \$1bn tranche of The independent commitassumed office in May that not last more than a few credits for Indonesia on tee poses a challenge to the stacked his cabinet with four he would be only a transitional leader.

In an interview at the Suharto. weekend with foreign journalists he said his main concern was accomplishing a "mission impossible" pushing through political reforms and reviving the economy. One reform he planned would be a two-term

"If my term is over next is the Habible government," depends on the people." The president's comments

ing party, Golkar.

year, December, theoreti- said Susilo Bambang cally I still have one term I Yudhoyono, chief of sociohave to do," he said. "It political affairs in the mili-

Mr Habibie's political coincided with the election reforms - he has freed politiof Akbar Tandjung, his pro- cal prisoners, allowed worktégé and state secretary, as ers to form unions and has and appetite for office by chairman of Indonesia's rul- set the timetable for what he announcing at the weekend promises will be democratic the creation of an indepent than two thirds of the econstatus" would match the Mr Tanjung's victory over elections - have also earned dent committee to investi- omy and which bore the a retired general who is him acceptance from the gate the kidnapping of doz- brunt of the economic van- the country's capital and thought to have favoured outside world, who used to ens of political activists, the dalism that hit Jakarta as two other regions.

Chinese minority, which controls most of the economy limit on an elected president. ment to restore our economy more cautious nod of soldiers were among the culapproval but Japan, Ger- prits. many and others have sung

May from former president Bank, which released \$1bn own investigation into the

earlier this month.

The president has not gained much support from the

his praise.

tional Monetary Fund, due hem in Jakarta.

Wednesday, and the World powerful military, whose

Washington has given a by a widespread belief that

the president said. . "Nice Anwar, the president's press Mr Habibie demonstrated his increasing confidence gained much support from annexed by Indonesia in

"We're going to change,"

"It shouldn't be the military investigating the mili-

events has been undermined

the country's Chinese minority, which controls more

testers and the organised His biggest supporters riots and rapes in May that The president, openly critiby the powerful military and have been in the Interna-spiralled into city-wide maycal of the Chinese in the past, has promised not to discriminate but also

> ministers known to be anti-Mr Habible also said he backed decentralisation of power and government reve-

nues as a way to appease restless regions in the archipelago. But he said Indonesia would remain a unitary state rather than become a federation. An electoral law, being drafted, would mix district and proportional elections to improve links between vottary," said Dewi Fortuna ers and their representa-

tives. Mr Habibie earlier offered limited autonomy to But Mr Habibie has not East Timor, which was 1976, but at the weekend he said the territory's "special symbolic powers enjoyed by

NEWS DIGEST

AUSTRALIAN SENATE

Setback for Howard as Telstra sale blocked

The upper house of Australia's parliament blocked at the weekend controversial legislation to privatise the remaining two-thirds of Teistra, the telecommunications company. The Senate's vote against the A\$45bn (US\$28bn) privatisation dealt a fresh political blow to John Howard, the prime minister, who proposed the legislation as part of his strategy for an early election. A third of Telstra was privatised earlier this

The government said it would only proclaim the legislation after winning the next election and would use most of the proceeds of the sale to retire public debt. But Mr Howard has also been trying to woo voters with promises of a "social bonus" from the proceeds, particularly in rural areas where Pauline Hanson, an extremist politician, has made strong

Mr Howard is expected to resubmit the bill to the Senate but must first win the support of two independent senators. The government earlier this month pushed through amendments which watered down land rights legislation, after the Senate twice rejected the bill. Our international Staff

HUMAN RIGHTS

China detains dissidents

China yesterday continued to hold five of nine dissidents detained at the weekend for trying to set up an opposition party while US President Bill Clinton was visiting the country lest month. The information Centre of Human Rights and Democratic Movement in China, a Hong Kong-based human rights group, said the dissidents had been detained in the central city of Hangzhou for attempting to register the "Chinese Democracy Party" during Mr Clinton's tour of China.
Beijing does not allow opposition parties.

The detentions are likely to provide ammunition for critics of Mr Clinton's policy of engaging China and may cast a differ-ent light on the concessions Beijing granted the US president in allowing his blunt comments on human rights to be broadcast live. James Kynge, Beljing

KOSOVO CONFLICT

Serbian forces suffer losses

Serbian security forces suffered further casualties at the weekend in clashes with ethnic Albanian separatists, despite diplomatic efforts to bring about a ceasefire in the disputed province of Kosovo. Government officials said two policemen were killed in attacks on checkpoints along a strategic road running parallel with the border between Kosovo and Albania. Rebels of the Kosovo Liberation Army (KLA) have to cross the road to smuggle in weapons and fresh recruits.

Serbia's Interior ministry says more than 30 policemen have been killed in Kosovo since Belgrade launched its crackdown on the KLA in February.

About 300 ethnic Albanians, many of them civilians, have also died in the conflict. Pro-Independence Kosovo Albanians claim to have inflicted heavy casualties on Yugoslav army units. Serbian journalists believe the government is trying to conceal losses in the army because of the growing number of young conscripts who are deserting or refusing to do military service. Guy Dinmore, Belgrade

E-COMMERCE SOFTWARE

UK and Germany head demand

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Germany and the UK will by 2002 account for 43 per cent of the European market for software which enables on-line stores to conduct business electronically, according to a London-based market research company.

Datamonitor predicts that spending on e-commerce software in Europe will increase at an average annual rate of 41 per cent over the next four years, to reach \$285m in 2002. The increasing use of e-commerce will be one of the principal

engines of economic growth over the next 10 years. The company says software already represents 11 per cent of the total investment made in e-commerce, but that further software investment will be required if companies are to exploit e-commerce to the full. Site maintenance accounts for more than a third of the cost of running an e-commerce

GENERAL MOTORS

Strike talks still at impasse

Talks aimed at settling the strikes that have crippled production at General Motors, the largest US carmaker, continued over the weekend — with little prospect of an early settlement. Richard Shoemaker, who has led the negotiations for the United Auto Workers, said the two sides were still some distence apart.

There had been speculation that GM would seek urgently to resolve the strikes to enable production to resume after the raditional two-week summer shutdown - due to end today. However, even if an agreement was struck it would need to be ratified by UAW members, making an immediate production restart unlikely. The strikes have already cost GM \$1.18bn in the second quarter, and analysts estimate the daily toll will be \$50m-\$75m. Nildd Talt, Chicago

HORN OF AFRICA

Ethiopia deports Eritreans

Ethiopia has deported 1,000 Eritreans who Addis Ababa said were a threat to state security, inflaming tensions in the border dispute between the two Horn of Africa countries. The expulsions came as Isayas Afewerki, Eritrean president, told a television station that he was ready for a televised debate with his Ethiopian counterpart, Meles Zenawi, on the conflict. Some 1,045 Eritreans, including members of the Eritrean People's Liberation Front, the governing party in Eritrea, were deported last month. Some of them were accused of spying for Eritrea. Eritrea has deported 4,400 Ethiopians since the outbreak of the conflict in May. Reuters, Addis Ababa

TEHRAN TRIAL

Mayor claims his innocence

The mayor of Tehran, on trial for embezziement, told a court at the weekend that he was innocent and had always acted in the best interests of the city. Gholamhossein Karbeschi, a powerful supporter of moderate President Mohammad Khataml, defended his nine-year tenure at the head of the Iranian capital and argued he had sought no personal advantage from his position.

The charges against Mr Karbaschi include embezzling more than IR14.5bn (\$4.8m), receiving bribes, mishandling public property and improper conduct of government transactions. A verdict is expected within two weeks. If convicted, the mayor could face a long jall term, a big fine and a ban from government positions. Reuters, Tehran

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is innocence

"greatly increase the difficul- bilateral conflict instead of

The EU has held consultations with the US in the setts lawmakers have been "The . . . law entails sec-negotiating a compromise. opposition to the state.
The brief says the EU is

MOSCOW TALKS FORMAL AGREEMENT EXPECTED SOON

Mr Kiriyenko was last

night expected to fly to

Tokyo to secure bilateral

assistance of up to \$1.5bm

from the Japanese govern-

in doubt after the electoral

setback for Japan's Liberal

Democratic party threatened Ryutaro Hashimoto's posi-

On Friday, President Boris

Yeltsin called several foreign

leaders to enlist their sup-port for additional financial

aid for Russia. After talking

to Mr Yeltsin, Mr Hashimoto

said he would back the Rus-

sian government's imple-

mentation of its anti-crisis

tion as prime minister.

ment. But his plans were left

Russia and IMF fall short of final deal

The Russian government's talks with the International Monetary Fund ended last night without clinching a final agreement about a multi-billion dollar financial support package. - But in an upbeat state-

ment, the government said the two sides had agreed about all the main questions of principle" and would announce today what steps needed to be taken next. Officials suggested a for-

mal agreement with the IMF could be reached very soon. A related deal with the World Bank, which could lead to the release of up to \$1.5bp, already appears to have been agreed. Nevertheless, the news is

financial markets, which tional support from the IMF had been led to believe by to bolster the central bank's government statements that reserves. an IMF-led agreement could

cold. Germany sneezes.

clear-cut. Trade with Russia

total trade. Exports to Rus-

total German exports or less

says that on this basis "all

effect" on the German econ-

cent of the capital of German banks or one year's profits.

Germany accounted for

than 0.5 per cent of GDP.



IMF's European department, in an attempt to finalise a deal after two weeks of nego-Nevertheless, the news is tiations. The Russian gov-bound to disappoint Russia's erament is seeking addi-

Earlier, Russian officials be concluded by yesterday. said the talks had entered their final stage and could be concluded yesterday. Senior world financial markets ministers, including Anatoly Chubais, Russia's chief nego-Sergei Kiriyenko, prime tiator, talked thoughout the minister, yesterday held weekend with International extensive talks with John Monetary Fund and World

Russia's troubles fuel fears of

German business community

Nightmare tales of contacts with Germany's biggest trading

partner underlie the anxieties, writes Frederick Stüdemann

"I expect the government led by the president stead-fastly to undertake domestic reform," he said. Russian officials have

programme.

been aiming to put together a financial support package of up to \$20bn from the IMF World Bank, the Group of Seven leading industrial countries, and commercial banks.

Russia's lower house of parliament will this week debate the government's anti-crisis programme.

EU row over cotton dumping duties cloth from China; Egypt, turn the duties into defini- able and unenforceable.

Eight European Union states and Turkey. will today accuse the European Commission of flouting the will of the majority of quences" for parts of the EU members by imposing controversial anti-dumping duties on cotton imports from six countries for the bly backed by France and

second time. Doug Henderson, UK European affairs minister, will issue a protest over the EU's dumping case, signed by

The statement will say EU's Brussels-based executive, made a "regrettable decision" by imposing provi-

March on unbleached cotton posals today or tomorrow to producers would be unwork- jobs in their sectors.

India, Indonesia, Pakistan tive, five-year measures. Brussels has investigated Under EU law, that step - three consecutive complaints It will warn that the move unlike imposition of six- from Eurocoton, the EU texcould have "doubtful conse-

EU's textile industry. Italy is expected to launch a counter-declaration, possi-

Spain, supporting the Com-mission's action. But the statement from a majority of the 15 EU states most contentious anti- is an embarrassment for the Commission, whose anti-Austria, Denmark, Finland, dumping unit produced a Germany, Ireland, the Netherlands, Sweden and the UK, at a foreign minis-

responsible for the unit. "The Commission is twistthat the Commission, the ing in the wind over this one." said one EU diplomat. The declaration is being made now as the Commissional, six-month, duties in sion is expected to issue pro-

month measures - requires tile lobby, of dumping by the a positive vote from minis- cotton exporters.

Eurocoton says below-cost Eight states have signed a statement

ministers' meeting protesting at Brussels' 'regrettable decision'

to be issued at today's foreign

Attempting to defuse the imports of unbleached cotcontroversy, the Commission ton - raw material for a vast will propose seeking mini- range of textiles products mum price undertakings threaten thousands of jobs from cotton producers in the in Europe's weaving indussix countries, instead of try. But the dying and finishpunitive duties. But opponents say price undertakings the cost of their raw mate-from such a large number of rial would cost many more

ing industries say raising

imposed provisional duties after a second investigation last year.

Ministers voted against making those measures definitive, despite a personal intervention by French President Jacques Chirac, who promised during France's general election to protect

A third investigation opened last summer, and the Commission reimposed provisional measures in March - although only five member states supported the move in an EU advisory committee,

nine voting against, The six countries depend heavily on the cotton trade, World Trade Organisation action if definitive duties are

QUAD GROUP NEGOTIATORS FROM US, EU, JAPAN AND CANADA BEGIN ROUND OF TALKS

New drive to liberalise services trade

Negotiators from the Japan and Canada have begun consultations on the next round of international negotiations to remove barriers to trade in services.

last week, representatives of ities. the four - the Quad group - The 1993 Uruguay Round agreed to further meetings in the autumn aimed at finding a consensus on how the next round of talks in the World Trade Organisation should proceed.

WTO countries are committed to beginning new ser- tions.

ambitious agenda.

An EU official said there was a "pretty high degree of ment industries and mari- structure of the agreement overlap" among the goals, time services, while most should be changed from a though each has yet to developing countries made so-called positive list, under In a meeting in Ottawa decide fully on its own prior-

> agreement brought service round," said Claude Barfield. would liberalise everything industries under multilateral an economist at the Ameri- not specifically exempted. trading rules for the first time, and further agreements were subsequently standstill, but now there's a American Free Trade Agreeconcluded in financial services and telecommunica-

and the four are seeking most cases did little more negotiations, "we have a broad areas of agreement to than commit countries not very hard time telling what help them persuade develop- to erect further trade barri- the commitments are," said European Union, the US, ing countries to adopt an ers. The US and EU ran into a US negotiator. sharp disagreements over the inclusion of entertain- considering whether the

can Enterprise Institute. "At That negative model was folthe moment you've got a lowed in the 1992 North need to actually liberalise." While the US private sec- ther than the Uruguay

Both the US and EU are

only minimal commitments. Which only those measures "There was very little lib- specifically listed are liberaleralisation in the first ised, to a negative list which

ments, or try to put together a broad deal covering all the main areas. Participants in the meet

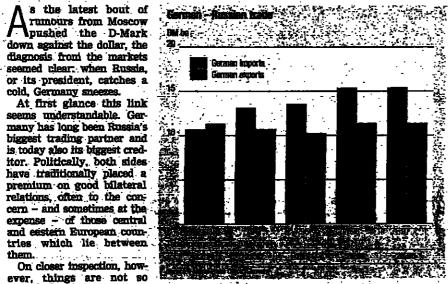
Negotiators will also have

to decide whether to proceed

sector-by-sector, as in the

ing said there was general consensus that the negotiations should be as broad as The Quad group is also

considering new areas for ment, which went much fur- transport services, courier services, electrical and water tor is generally pleased with Round in liberalising ser- distribution, and electronic



many's biggest bank, which Russia may have paying its and costly process.

third of trade transactions. D-Mark. But although trade This does not, however, limited to German compa-between Germany and Rus-detract from the palpable nies. But Germans are often sia totalled DM26.9bn mood of gloom which has (\$14.3bn) last year, Russia descended on commercial still accounts for only a relations between Germany small fraction of Germany's and Russia.

claims to handle around one debts to a drop in the

sia are only 1.9 per cent of centred around trade, which still focuses on export of raw materials from Russia and Thomas Mayer, chief econ-omist at Goldman Sachs; from Germany. "This relaimport of finished goods in and out quickly," says a from Germany. "This rela-German consultant in tionship has not really Moscow. Whether such fears exports would have to be changed in the last 20 will lead to a drop in direct stopped for there to be an years," says one Moscow-investment by German com-effect" on the German econ-based German banker. What omy. He says Germany's has changed, he says, are financial exposure to Russia the numbers which have got is more worrying as it is bigger "even in a time when equivalent to roughly 13 per everyone thought the whole place [Russia] was falling DM149m in 1996 to DM218m apart. It is astonishing."

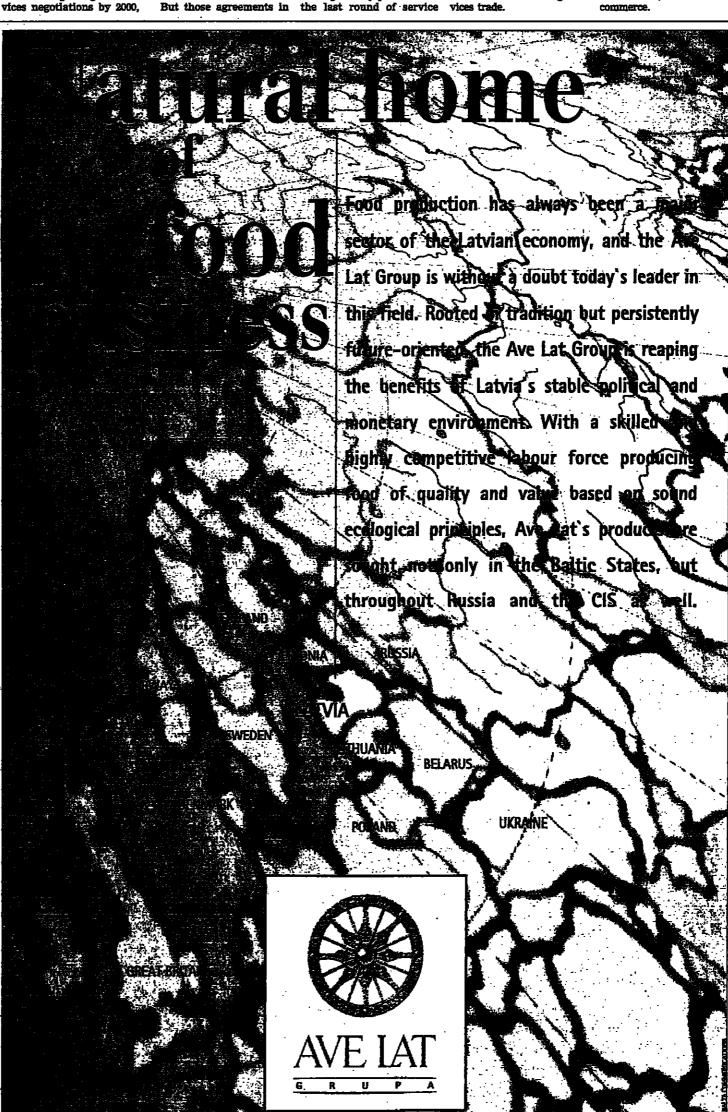
he problem is more the \$30.5bn, or 59 per cent, of perceived risk of actu-ally doing business in countries, and the German Russia's total exposure to the end of 1997, according to Russia. Nightmare anecdotes western banks of \$72.2bn at the Bank of International of strong-arm tactics by Moscow says there is now Settlements. Exposure of regional governments or greater mood of caution. German banks to Russia is criminals are a recurrent

Indonesia, Thailand, Malay- Germans in Moscow. Particular favourites sector, which lacks the include the tale of a German financial punch and lobbysia, South Korea and the "I do not see a catastrophe if exports go down. But the trol" of its joint venture such as Siemens, Daimler [financial] exposure is very when its Russian partner Benz or Rubrgas. For the strong and that could be emerged as the dominant medium-sized companies the problematical," says Mr shareholder after a clandes Mayer. But even then the time capital increase. Other The risks are too big," says a

has been growing steadily in able", and he stresses that ing of company accounts by recent years, rising by over one would have to make sev- zealisus tax officials. In such 20 per cent in 1997 according eral assumptions before cases resorting to the courts to Deutsche Bank, Ger- directly linking problems is a drawn-out, uncertain Worries about the legal

and tax framework are not more likely to be put off. "The Germans think more strategically and more long-term. For that they The fears are not so much want everything to be in centred around trade, which order before they start. It's different with the US companies who are prepared to get nomics ministry in Bonn says recently revised statistics actually show a rise in direct investment from

Nevertheless, German Investment in Russia still business community in Moscow says there is now a This is particularly true roughly double that to topic of discussion among for the Mittelstand, the small and medium-sized company



: Ave Lat Group, 23 Antonijas Str., Riga, LV 1010, Latvia; Tel: +371 7080400 Fax: +371 7080447 e-mail: ave@avelat.lv

problem would be "manage examples involve the freez German diplomat." EU in Burma law protest

By Nancy Denne in Washington

and the European Union on on policies towards third and the European office of the countries.

The so-called "selective that the US is not honouring that of business companies that do business that do business that the EU companies doing the companies doing the countries."

The so-called "selective that the US is not honouring in Burma, the EU said in a tracts to companies doing ment agreement. Massachubrief filed with the US Dis-

The EU opinion is in suptrict Court in Massachusetts. port of a case brought targeted not at the regime in islator who introduced the against the Massachusetts

Burma, but at nationals of Burma law, has said he will aw by the National Foreign third countries," the brief not support the compromise. Trade Council, representing says. Its "adverse effects" if the EU files a brief in US exporters. The EU said it have become one of the leadwas also concerned that the ing issues as the EU and US The brief says the EU is proliferation of state and talk about Burma, focusing determined to put direct promeration of state and the governments on the pressure on Burma.

ties that the EU has encoun- how to deal with the regime. Co-operation between the US tered in dealing with the US

guerrillas in '

Colombian

US backs Israeli withdrawal terms

The US is attempting to end East peace process by backing a plan that bows to Israeli reluctance to hand parts of the occupied West Bank to the Palestinians.

plan under which Israel cent of the West Bank to to the Palestinians in the

If the Palestinians agree,

they will control 30 cantons from each other by by-pass roads for the Jewish settlers the deadlock in the Middle and cut off from Jerusalem and the Gaza Strip.

The proposals, drawn up by Israel and foisted upon the US, amount to a watereddown version of an earlier Washington is pressing Washington plan. That plan. never officially publicised. suggested Israel hand over 13 per cent of the West Bank delayed second troop pull-

in the West Bank, separated secretary of state, believed it capable of bridging the gap between Israeli and Palestinian expectations. Israel claimed, for security reasons, it could not hand over more than 9 per cent of land while the Palestinians origi-

> troop pullback. Less than 3 per cent, or Area A of the West Bank, is

> around 30 per cent in the

Madeleine Albright, US Area B, is under Palestinian Israeli military control. The rest. Area C. is under the military control of Israel. which also controls all building activities.

Yassir Arafat, Palestinian Authority president, accepted Washington's 13 nally expected getting per cent package, but no less. "We are not prepared to accept 9 per cent," said Saeb Erekat. Palestinian chief negotiator who last week under full Palestinian con- held talks in Washington with Mrs Albright.

civilian administration but up" the new package by arguing that the amount of land being handed over to the Palestinians does not deviate from Washington's original proposals.

In practice, Israel will hand over 9 per cent of land. but the other 4 per cent would be given a new status - "Area D". It will include land located close to the Jewish settlements in the West Bank in which Israel will have full military authority and control over

The US intends to "dress certain civilian areas. "We will never get this land,

Mrs Albright, in the mean time, has called on Israelis and Palestinians to hold face-to-face talks. Talks were cut off in March 1997 when Israel started building a new Jewish settlement at Har Homa in east Jerusalem: "The US wants to be in the position of blaming either side if the peace process collapses," said Mr Erekat.

A Cry for Freedom, Page 9

Clinton faces battle on vetoes

President Bill Clinton and the Republicans are heading for a spate of veto fights over abortion, schools and other issues that both hope will help them win November's battle for control of Congress, AP reports from

The House of Representatives returns this week from its July 4 recess to join the Senate, which came back a week ago. With perhaps 40 voting days left this year, Clinton administration veto threats have been made or are expected against about 40 bills. Many are aimed at minor legislation, and few vetoes will actually occur. Most of the bills will be modified or will not be sent to the president. But with each party looking to rouse its voters, neither will flinch

from a few high-profile veto Senate minority leader Tom Daschle, a Democrat, called veto fights "a win for Democrats" and said: "The president is in a much stronger position to frame the issues than Republicans are. He has the bigger soapbox." The duelling begins on Wednesday, when the House

23 veto of legislation imposing mandatory sanctions en countries or companies selling missile technology to Iran. The president said the sure would hinder his efforts to improve relations

plans a vote on whether to override Mr Clinton's June

With few lawmakers eager to be seen as supporting the longtime US enemy, the House and Senate seem certain to get the two-thirds majorities needed to overturn the veto.

The following week, the House probably will reverse Mr Clinton's October veto of legislation banning a rarely used late-term abortion procedure that its opponents call "partial-birth abortion". But a vote by the more moderate Senate is likely to fall

A fight looms over another Clinton veto, a bill providing 2,000 District of Columbia children with vouchers worth up to \$3,200 so they can attend private schools. Other possible veto fights include bills providing fees due to the United Nations, which Mr Clinton wants to nass but without restrictions the bill includes on overseas family planning aid; trimming taxes on savings used for private school costs; limiting the Pentagon's flexibility for closing military bases; and banning future export to China of US satel-

lite technology. Because of provisions that Mr Clinton opposes, the administration also is threatening vetoes against several of the 13 annual spending oills for the fiscal year begin-

The second largest of Colombia's rebel groups, the National Liberation Army unions, the private sector and the clergy, in Mainz to discuss a framework for an eventual peace negotiation. The talks, which continue today and tomorrow, are the first concrete sign in recent

Colombian

conflict.

guerrillas yesterday began

ian representatives, raising

more than 35 years of armed

years that the rebel group is

willing to lay the founda-

tions for future peace negoti-

Last Thursday, Andres

Pastrana, the president-elect,

announced that he had met leaders of the Revolutionary

Armed Forces of Colombia

(Farc), the oldest and largest

of the guerrilla armies.

"In the meeting. I expressed the determina-tion of the government which I will lead as of August 7 to find the appropriate paths for building a lasting and stable peace," be said after the talks. Mr Pastrana said he would comply with Farc demands to de-militarise five munici-

palities as one of the conditions for peace talks to start. And he said negotiations with Farc would beginwithin 90 days of his government taking office. Colombians see the two parallel initiatives as the

most promising peace development in years. The various guerrilla groups - the region's oldest - have grown stronger recently, with a series of military successes.

peace talks escalating conflict has claimed thousands of lives leftwing and is estimated to cost the country at least two percenttalks in Germany with civilage points in gross domestic product growth every year.

hopes of an initiative to end Many observers now expect Mr Pastrana to boid a period of dialogue with the leftwing groups. Refore win-ning the presidential elec-(ELN), met 42 representations on June 21. Mr Pastives of Colombian society, trans pledged to conduct including members of labour talks personally with the guerrillas and seek a lastine

> The period of improved relations follows four years of failed peace attempts by the departing government of President Ernesto Samoer.

A number of corruption scandals - including the alleged flow of \$6m of drugs money to Mr Samper's 1994 presidential campaign the government weak and without a firm basis on which to negotiate. As a result, guerrillas rejected Mr Samper's offers of peace talks, arguing that his administration was illegiti-

Yet in spite of the renewed? optimism, peace is likely to remain a long-term project. The moves by the guerrillas are promising but there many thorny issues to diswill be political and agrarian reform, as well as the country's energy policy, particularly with regard to the role of foreign oil companies

simples

Speaking about the Mainz meeting with the ELN, Luis Augusto Castro, the Colombian Catholic Church's delegate, said: "It is an initial meeting in which many people are going to take part. It is difficult to reach grand conclusions, but it is a first step and that is posses

Talks on germ warfare checks to miss target

provisions for an international pact banning blological weapons will not be completed by the end of this year, the target date set by the US and the European Union.

Progress had been "very slow" on the core issues of checking compliance, including the regime for on-site inspections, said Tibor Toth, the Hungarian official who chairs the talks, after three weeks of negotiations in

"We need more time. Serlous negotiations do require time," he said, noting that the 250 pages of the draft verification pact contained 3.000 points of disagreement. The 50-odd countries taking part are to reconvene in Sep-

The 1972 biological weapons convention, which outlaws the development, production and stockpiling of bacteriological weapons and toxins, has no provisions to detect and deter cheating, unlike later treaties on chemical weapons and

nuclear testing. Talks on a verification protocol began in 1995 with the aim of concluding before the 140 members of the convention hold a review conference in 2001. However, the US and EU, backed by others, wanted to complete the

negotiations by the end of 1998 so that the protocol could be adopted early in 1999. Britain has offered London as the venue for the

signing ceremony. The US defence department believes that more than 10 nations have, or are developing, biological weapons, though only Iraq and Russia, both treaty mem-bers, have admitted doing so in the past. Both deny accusations that their pro-

grammes still exist. Possession of biological weapons, such as anthrax. botulinum toxin and bubonic plague, is particularly difficult to check because they can be made and stored in tiny quantities which can nevertheless kill large num-

bers of people. As a result, checking compliance will almost certainly have to involve intrusive onsite inspections, of commer cial biotechnology laboratories as well as government facilities, which has raised fears about protecting unrelated business and military

Mr Toth said that almost every aspect of the inspection regime was being argued over, including what type of inspections should be allowed, how different types of inspection should be triggered, what facilities should be covered and how the

Nigeria set to put off return to civilian rule

Abdulsalam Abubakar, Nigeria's military leader, is expected to announce a postponement of the promised October 1 handover to civilian rule in a national broadcast early this week, officials close to the regime said last night.

The decision is likely to prompt an angry response from the regime's opponents. led by the National Democratic Coalition (Nadeco), which at the weekend called on the military to hand over power to a transition govern-

"The best thing is for them October 1, 1998, we are saygovernance of this country people died. to. . . the government of The violence was largely national unity," Abraham confined to Lagos and Iba-Nadeco, said in a newspaper

He proposed that it would and set up a new electoral commission that would call for the creation of new political parties. "It is a transition government. But it is a transition managed by civilians.

said that the proposal was "unrealistic", adding that they expected Gen Abubakar would win backing from the US. Britain and the Commonwealth for a six-month extension to the handover date originally set by Gen Sani Abacha, the military

leader who died last month. Tension in the country eased over the weekend when Chief Moshood Abiola, detained winner of the aborted 1993 presidential elections, was buried without incident at his Lagos found that he had died of natural causes

His sudden death last [the military] to go and since Tuesday in the middle of they chose for themselves negotiations with a team of US officials to agree terms ing the military should go on for his release sparked riotthat day and hand over the ing in which an estimated 60 The violence was largely

Adesanya, chairman of dan, Abiola's political were running high. The post mortem perrule for four to five years formed at the family's request by experts from

> "After a detailed review of the observations of witnesses present at the time of

result of long-standing heart



showed Abiola died as a unlikely." the team said. However, they said it was care in detention. beyond the scope of its investigation to answer the concerns are understandable

death, we believe that pol- family - of whether he soning is extremely would have died if he had received adequate medical

"We believe that these question - raised by many of and deserve thrther consid-Abiola's sympathisers and eration," they said.

Supporters of Chief Abiola said that his prison diary, extracts of which were published yesterday, detailed abusive treatment by guards, health problems and boredom during four years of solitary confinement.

Conference fails to agree global code for business standards

seeks to improve standards of business management worldwide last week failed to agree on a statement of global corporate governance principles. Its meeting highlighted the huge difficulties in generating codes of business practices applicable

across national borders.

The third annual meeting of the International Corporate Governance Network, held in San Francisco. accepted only a skeleton version of the statement as an 'exposure draft" to be circulated to members for further comment.

The conference struggled to agree on even the most outperform their global peers over the long term" information and equal treatafter a delegate from France wondered if it was appropridemanding standards. Some speakers attacked regarded the event as a suc-

the proposed statement of cess. George Kim Johnson of The international body that and said it failed to take adequate consideration of international differences, such as the system in Europe of having an executive management board separate from the board of directors.

There was also concern at the proliferation of bodies issuing statements of principles on corporate gover nance around the world. In particular, some delegates suggested the ICGN should work with the Organisation for Economic Co-operation and Development which earlier this year issued its own report on global principles of corporate governance. instead of drawing up its own separate statement. The innocuous of statements. It agreed draft statement conrejected a clause calling on tained seven principles covcompanies to "endeavour to ering broad areas of consen-

> ment of shareholders to protecting the environment. Despite the limited progress, conference organisers conference that much of the

and one of the governors of the ICGN, said: "At this stage we are interested as much in intangibles such as dialogue and awareness as

in tangible results." He said he was particularly pleased with the broad international representation

The conference struggled to agree even innocuous

statements

with a significantly greater attendance from Europe and Asia. Several Japanese companies including Mitsubishi. Sony and Osaka Gas were present, as was a large delegation from Korea. Linda Tsao Yaug. US ambassador to the Asian

Development Bank, told the

current economic difficulties

Tadao Suzuki from the Corporate Governance Committee of Japan presented the committee's statement of principles, completed in May, which is now being considered for inclusion in Japanese stock market list-

Masavoshi Morimoto, a vice-president of Sony, said his company's radical re-organisation of its corporate governance had separated its management board from its board of directors which now included three outside

Philippe Jaffré, chairman and chief executive of Elf. the formerly state-owned French oil company, prefaced his remarks to the conference with the observation that "listening to a former French civil servant speaking about corporate governance must seem as strange. . . as listening to a former member of the Russian Polithuro speaking on democracy." But he went on proxy votes by fax.

in Asia could be viewed as a to say that French investors principles for being overly influenced by IIS thinking see Retirement Association, nance. tantly, in the need for corporate governance based on the principles of shareholder

The conference did agree

on a statement on global share voting principles calling on companies to make it easier for international investors to vote on company resolutions. The statement calls for companies to provide adequate notice of votes and to supply translations of meeting agendas.

Also, voting should be made as easy as possible with fax and e-mail facilities being offered where possible. Lob-bying by the ICGN and its members on this issue has produced tangible benefits recently, with developments in Australia and some Euro

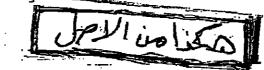
pean Countries. Last month Australia introduced a new law requiring companies to give at least 28 days notice of company votes and ensuring that investors can register

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FINANCIAL TIMES



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_____ It's amazing.

It's impressive.

It's big.

What's it called?

It's bright.

A star is born.

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Health and education set for funding boost

money must be "linked to

By Robert Peston and Micholas Timmins in Loudon

Gordon Brown, chancellor of the exchequer, is set to announce higher-than-expected average spending increases for health and education. He will also reinforce a squeeze on public sector

pay increases. Mr Brown will announce health and education spend- hospitals. However, they will ing rises of 4 per cent a year be alarmed Mr Brown is forc-

reaction among doctors, nurses and teachers to his announcement on Tuesday of departmental spending limits from next year until the election, following his comprehensive review of expenditure priorities.

They are expected to welcome the relatively generous settlements for schools and in real terms from 1999 to ing pay review bodies, which

sector workers, to take on sultants committee, said. "extra responsibilities" for ensuring awards are consistent with the government's 2.5 per cent inflation target and spending controls.

The British Medical Association, the doctors' group, said the new remit could compromise the review bodies' independence. "If this is a new constraint, we will oppose it," James Johnson,

2002. There will be a mixed set the pay of 1.3m public chairman of the BMA's con- hospitals and providing air-Tony Blair, the prime minfor operations. A 4 per cent real terms ister, has insisted the new

> results" and not just provide generalised increase in health spending The state health service's room for manoeuvre will be constrained by a significant sum being earmarked for specific tasks, such as waiting lists, refurbishing ally.

compares with about 3 per cent a year on average over 18 years of Conservative government and 2.5 per cent over its last administration. Since coming to power. Labour has held down spending increases to little wholly and vigorously improving IT, cutting more than 2 per cent annu-

Education spending rose dusting for inflation, over the last administration and increase in health spending has fallen as a share of gross domestic product since the election - down to 4.7 per. cent from 4.9 per cent in spite of Labour's pledge to

> Meanwhile, a government member said it would be written into review bodies' terms of reference that pay

Companies

report drop

in confidence

line-style booking systems by just over 1.6 per cent, inflation target. Awards should also be affordable under the three-year spending limits and should not conflict with the government's primary "targets for output and efficiency, such as reducing class siz

Mr Brown hopes the reforms will "strengthen the pay review system", but they will be criticised by trade unions and possibly resisted by review bodies.

analyst "As more and more

firms expect further

increases in interest rates, so

business gloom has spread

from exporters into the

all sectors. Expectations of

profits increases are at their

lowest since 1993 and of

lowest since 1992. Confidence

in export prospects is

unchanged at its lowest

since the survey began 10

Oxford Economic Forecast

ing argues in its latest Eco-

Confidence has fallen in

domestic economy.

Years ago.

reduce their debt.

hard landing.

Cambridge to establish US-style school for business

By Simon Targett and Brisin Groom in London

Cambridge University is to establish a US style school of entrepreneurship, signalling a change in the relationshi between business and Britain's "ivy league" uni-

The school, designed to underpin Cambridge's creation of a belt of high-tech industries, could spawn a generation of self-made mil-lionaire scientists who set up companies rather than go into university research.

It will be the UK's answ to the entrepreneurship academy at the Massachusetts Institute of Technology feature of a planned science complex hailed as Cambridge's "MIT by the MI1 [the region's main motor wayl".

The school, still in its conceptual phase, emerged from work by the Cambridge Network, a group of academics and business leaders mapping out a "2020 vision" for the region.

The network concluded in a report that while Cambridge had "generated plenty of ideas with market potential", it had been "weak, particularly in the last 20 years, in creating the balance between innovative brilliance and entrepreneurial

Cambridge has only recently established a man-agement school, after years of ambivalence about business as an academic discipline. But the university has embraced the business community since the appointment of Sir Alec Broers, a former IBM executive, as vice-chancellor two years

Hermann Hauser, the millionaire founder of Acorn, is instrumental in the planning process and says the central idea is to make Brit-

Tragedy raises hope of end to N Ireland stand-off

There are signs that the Protestant Orange Order is rethinking its stance, say

ith every atrocity in Northern Ireland, the against the Good Friday bereaved express the agreement, was a key figure bereaved express the hope that their personal loss will somehow bring the the same yesterday.

But as news sunk in of the tragic fate of the three young boys in Ballymoney burnt to death in their beds in a sectarian firebomb attack - the first signs emerged that the Protestant Orange Order may be reconsidering its position.

William Bingham, a Pres-byterian minister and deputy grand-chaplain of the order, said: "The 15-minute walk down the Garvaghy Road by the Orange Order will be a very hollow victory in the shadow of the three coffins of children who wouldn't even know what the Orange Order is."

He called on the order to "back off" and urged Orancolours that we wear so proudly to be brought into the gutter like a political

John Murray Brown and Robert Wright Mr Bingham, who voted agreement, was a key figure in defusing last year's marching crisis and his move was greeted with relief by David Trimble, who has had a troubled first two weeks as Northern Ireland's first minister.

The Rev Bingham was one of the four-man delegation to talk to Tony Blair, the UK prime minister, last week. His intervention is the first sign that moderate Orangemen are prepared to break ranks with those at Drum-

Much will depend on whether others will follow. The County Down lodge yes-terday called off its "freedom camp" which has been in place outside Hillsborough Castle, the official residence of Mo Mowlam, chief Northern Ireland minister in the UK government. There are reports that lodges in Fermanagh and Tyrone - in the west of the region - have refused to join the protest. David Jones, spokesman



tled to his views, but added: "I would not really think what he has said is going to have much influence here."

Willie Fraser, a member of the Markethill district Orange Order, said if Portadown Orange Order decided to defy a call from the leadership to abandon the protest, it would have the support of local districts. He added there was widespread grassroots anger against Rev Bingham's sermon. "Mr Bingham came out with that statement in church. That was not the place to make

If Mr Bingham has no influence over the Portafor the Portadown Lodge, down brethren, Mr Trimble hats were arriving for the said Mr Bingham was enti-

less - despite Drumcree being in his constituency. The worry for him is that

a continued protest will become a vehicle for unionists who oppose the powersharing arrangements he will head with Seamus Mallon, deputy leader of the moderate nationalist SDLP. "Let's not get enthused about this peace process -about this political process -Northern Ireland at the

ce," said Mr Jones. The grassroots response to the latest developments was more confused. At the Drumcree church yesterday elderly men with bowler would appear to have even morning service, while to give up the protest.

moment still hasn't got

across the fields the army chaplain was officiating for the encamped soldiers.

A gaggle of protestors shouted abuse across the barbed wire to the soldiers calling them "fenians" - a derogatory term usually reserved for Catholics. One woman, describing

herself as a "proper loyal-ist", complained: "We'll have it on the breakfast, dinner and teatime news and I'm sick of it. What about all our children that the IRA killed." But another protester prison officer from Moira

was anxious to suggest hers

was not the universal view,

although he was in no mood

street. This is the biggest slide since 1993. The survey of 1,400 finance and managing directors was carried out between June 10

> the Bank's monetary policy committee raised interest rates to 7.5 per cent. The survey provides further evidence that the slowdown in the economy is spreading from the manufac-

By Robert Chote, Economics Editor

Business confidence

collapsed to a five-year low

in the wake of the Bank of

England's unexpected deci-

sion to raise interest rates

last month, according to a

survey by Dun & Bradstreet,

the business information

expecting to increase sales

has dropped from three-

quarters to two-thirds in the

space of a single quarter.

according to Dun & Brad-

and June 26, shortly after

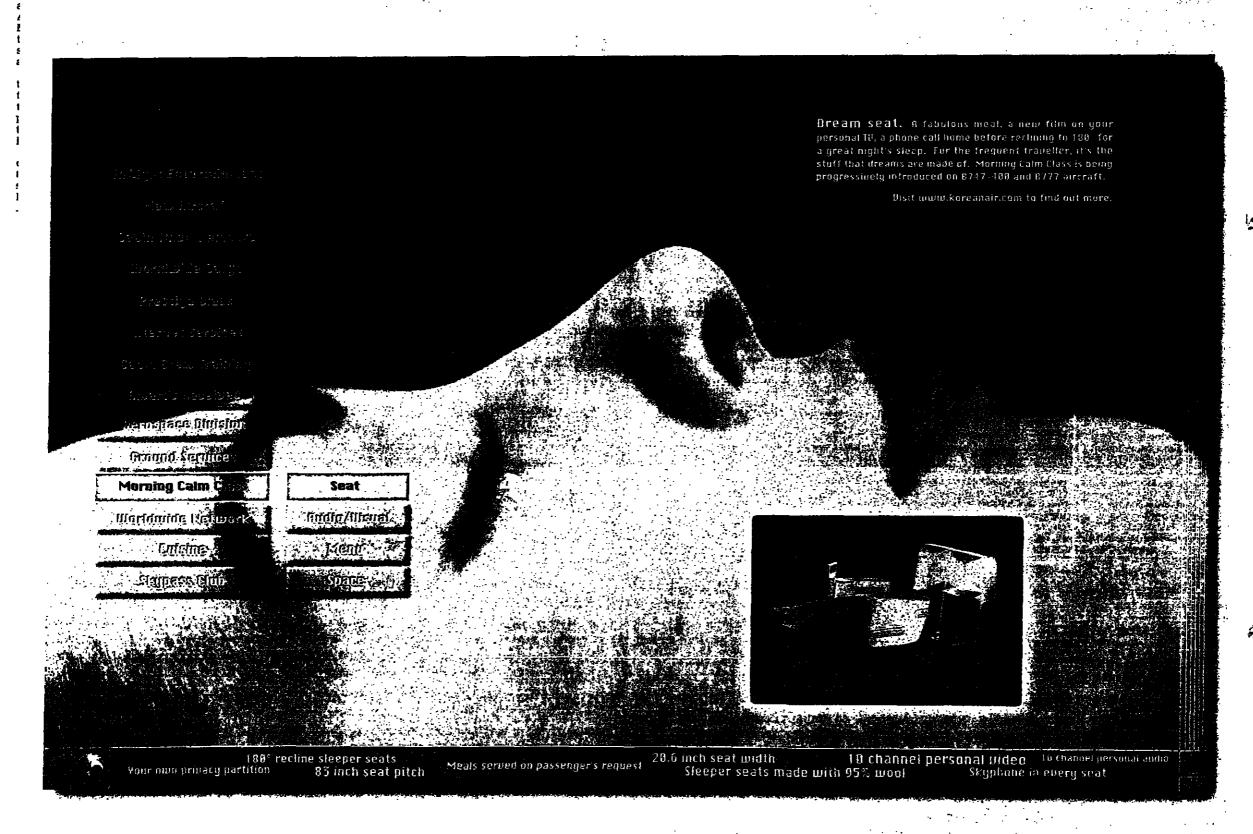
The number of busines

turing sector – which has seen its competitiveness in international markets rise by a further quarter squeezed by the strong bound - to more sheltered parts of the economy. "For the first time in some

years, the survey has shown severe drop in confidence among the service, retail and wholesale sectors," says

nomic Prospects publication that business investment growth is set to fall from 8 talent". per cent in 1997 to 5.5 per cent this year and less than 1 per cent in 1999. "Even so, our forecast implies that the company sector financial deficit continues to widen, threatening a sharper slowdown if firms react to rising interest rates by seeking to It expects base rates to

point, sufficient to slow growth from 2.3 per cent this year to 1.7 per cent in 1999 and to keep inflation near the government's 2.5 per cent target. If rates rise by ish scientists more entrepremore, the economy faces a



KOREANAIR BEYOND YOUR IMAGINATION

INSIDE TRACK

PROFILE BOBBY GODSELL, CHIEF EXECUTIVE OF ANGLOGOLD

Comrade Bobby: a man respected by his workers

Victor Mallet meets the boss who cut thousands of jobs in South Africa, without serious labour unrest, as he reshaped the world's largest gold mining company

One of the slogans shouted by South African miners at a recent "gold serious labour unrest – and is in summit" in Johannesburg to discuss mass redundancies and the low gold price was "Viva comrade Bobby!" It is unusual at the best of times for bosses to be welcomed in such a way, but and managers is a tribute to his what makes it remarkable was negotiating skills and his boundthat Bobby Godsell's company less enthusiasm. has been as guilty as any of laying off tens of thousands of

As chief executive of Anglogold, the world's largest gold mining company created from the various gold interests of the Anglo American conglomerate, Mr Godsell has been at the forefront of a drive to transform the South African gold industry.
With the advent of democracy

in 1994 and increased competition from Australian and North American gold companies, the deep South African mines that were once the engines of the apartheid economy were exposed as ineffi-cient and old-fashioned. For decades, white bosses had ordered around thousands of illeducated migrant workers in can gold mine manager five years mines with appalling safety records - and still made handsome profits for shareholders. duced, ask him about the grade But as the gold price fell and militant black mineworkers in his head. Ask him about the emerged as a force against apartheid in the 1980s, Mr Godsell, who was Anglo's chief labour negotiator, realised that the days of the old system were numbered.

He embarked on a wholesale reform of Anglo's gold division after taking charge in 1996, consolidating the mines into a single company called Anglogold, which was listed last month in Johannesburg, London, Brussels and Paris. (American Depository Receipts are expected to be listed gold output by 17 per cent to simple." on the main board of the New York Stock Exchange in August).

serious labour unrest - and is in the throes of transforming the sclerotic business culture of the company's management. That he seems to have retained the respect of both trade unionists negotiating skills and his bound-

He introduced international accounting methods, so that he could compare the performance of his mines with those of his foreign rivals. He set targets for profits and costs (cash operating costs have quickly fallen to \$250 per ounce of gold from more than \$300) because he was appailed that "there was no sense of panic" among managers whose mines were losing money.

"Because of very high margins, the South African gold industry had become more of an engineer ing project than a business. It was about moving ground, it was about producing gold, consuming electricity and employing people," he says.

"Go to the average South Afriago, ask him how much rock he moved, how much gold he proand he will have these numbers profit or the dividend and he won't have them. That's the difference between a business and an engineering project. So we said: 'Guys, we don't care if we're the biggest gold miner in the world. We want to be the most profitable."

the rival group which has consoland Gold Fields of South Africa in pursuit of profits - is to

Mr Godsell and his executive bonuses, which they want to Tshepong ("Place of Hope"). apply to all staff from top to bottom. "We would like bonuses to mines, rugby teams and safety constitute around a third of total competitions have had to be reconstitute around a third of total package and ideally more than that," he says. The company also has a share-incentive scheme for executives, which cannot yet be spread to all employees because of the South African tax laws. changes to the company's shape.

Mr Godsell is reducing the pyra-

mid of shafts, mines, regional

Because of very high margins, the South African gold industry had become more of an engineering project than a

head offices and a corporate headquarters to a two-tier structure composed of the head office and the 10 gold-producing shafts which he calls "factories".

business'

"We came to the view that the factory was the shaft and that it didn't help to agglomerate shaft results at any level except the bottom line," he says. "We are taking out the intervening struc-Mr Godsell meant exactly what tures of management and adminhe said. Anglogold plans to intration. This year, we will save improve profitability this year by mining high-grade ore and leave we'll have a business that in ing behind the rest, reducing its organisational terms is relatively

The culture shock caused by But the most difficult task for these reforms in the 100-year-old Mr Godsell also slashed the Anglogold - and for Gold Fields, South African gold mining indus-

thinks that London Business

School is a business school.

All of you can go straight to

the bottom of the class. No:

"Notes to Editors" that

the international gateway

'exciting initiative".

covering letter that goes

Strategy takes some beating.

It droots over our "deeply

skilful strategic leaders",

with the Dynamics of

according to the explanatory

idated the gold mines of Gencor Most of the mines have new, vertives at Anglogold's head office change the traditional mindset of in Johannesburg struggle to pro-lifelong managers and miners. in Johannesburg struggle to pro-nounce. So Freegold 1 becomes nounce. So Freegold 1 becomes Bambanani ("Together We Direct team have introduced a system of Our Future"), and Freegold 2 is

> With the reorganisation of the loyal to the old names are grumbling, but Mr Godsell is unrepentant. "We've destroyed the identities of the old mines," he says.

The purpose of the restructur-Equally important are the ing is not just to motivate employees but also to attract investors who have long given South African gold mining com-panies a lower rating than their foreign competitors. Instead of the old choice between a lumbering mining finance house and a single mine. investors are being offered a focused gold group with substantial South African output and international ambitions. Anglogold is active throughout Africa, anxious to buy the overseas gold interests of its sister company Minorco and keen to exploit its expertise in deep-level mining in new markets.

Mr Godsell's one regret is that he has not yet been able to convert enough South Africans - or foreign fund managers - to his own optimistic views of the future of the gold industry and the country as a whole.

"Africa is not a rational idea in most fund managers' minds," he says. "It's an emotive thing, a Joseph Conrad thing, a mess and a disaster and a horrible place. That is refined in some people to absolutely explicit racism. There are quite a lot of fund managers around the world who think business organisations - privately blacks can't run companies or horrified - issued studiously economies.

"It's absolutely imperative that all South Africans come to a common understanding that it's possible to be profoundly South African and globally competitive. These are not mutually exclu-



Essential guide to Bobby Godsell

When the South African government announced recently that Tito Mboweni, the leftwing labour minister, would be the next governor of the Reserve Bank, most white-led South African polite public statements of support.

Not so Bobby Godsell. As the rand plunged in response to the news, the man who spent 22 years managing industrial relations at the Anglo American conglomerate sent Mr Mboweni a scribbled note

warmly congratulating him on the new job and discussing the nature of global economic competition. The gesture was much appreciated.

It was typical of the 45-year-old Mr Godsell. Although he has been a company man all his working life. his easy-going manner and infectious optimism about the new. post-apartheid South Africa contrast starkly with the stiffness of some of the older generation of white businessmen.

He engaged in liberal politics in his youth and saw black trade

unions exercise their muscle in the run-up to democratic majority rule in 1994. Industrial relations, he believes, are a good training

ground for chief executives "Labour negotiations are a hell of a good school for business skills because - for you to succeed both parties have got to walk away happy," he says.

Although he has transformed Anglo American's gold mines, Mr Godsell shies away from personal publicity. "I don't subscribe to the heroic entrepreneur floure." he



The Next Big Thing is just too big for some

The latest management idea promoting employee feedback at all | and insists that success is levels seems a bit slow to take off - especially in the boardroom

If you want to know how well someone is doing at their job you could ask their boss. But if you do. you will only get part of the answer. If you want a faller picture you should ask their equals and their underlings as well. This blindingly obvious

observation dawned on personnel departments a few years ago. They did what they normally do, which was to give the idea a silly name - 360 degree feedback - and go to lots of seminars on the subject. For a while it seemed that 360 degree feedback was the Next Big Thing, that in a twinkling of an eye it would, like quality management, be practised by every half-way decent

company everywhere. It is therefore a surprise that the idea seems to have been a bit slow to take off. According to Pilat, a consultancy that specialises in 360 degree feedback (only it calls it the even more dreadful name: multi-source ssessment) the idea is still being used only by 25 per cent of UK companies. Admittedly a larger number are considering it, but given the lemming-like way that companies usually adopt new management ideas this

seems a little half-hearted. Even more surprising is the fact that only two of the 235 companies surveyed are using their "multi-source assessment" to help them set pay levels. This seems a waste. Putting in these 360 degree appraisal systems is not easy, involving specially designed forms with scores of questions on each, and carefully trained "facilitators" who are supposed to be good at breaking the bad news that your staff hate you. So you might think the information gained so painstakingly would be used where it counts: in setting pay.

this? Could it be that the ance of a superior is still seen as too subversive: too British bosses are not yet they really think of them. The most disturbing

tinding of all is that the companies that do use 360 cheerfully subject their Funny, that. The rule of thumb is that all new to be espoused at the very top to have any chance of being accepted lower down

Hands up anyone who

What is the reason for very notion of an underling commenting on the performdangerous? Never mind all the talk about equality and empowerment, it seems that ready to be told by people lower down the ladder what

degree feedback tend not to use it at the top. While they middle managers to this sort of thing, less than half of them apply it at board level. management initiatives need the organisation. This seems

imagine why.

to be an exception. I can't

FROM NOW ON, I'M ONLY INTERESTED IN GROUND BREAKING MANAGEMENT

PHILOSOPHES THAT DON'T CHANGE THINGS



not a matter of slogans but of insight, which is "not static, but recognises how the inter-relationship between events can carve out a promising path into the future". It goes on about "business

appears at the bottom of its architecture", and latest press release, the LBS concludes; "You will learn is an "international gateway how to map out your strategic resources and for business and competences, together with management learning" The international gateway the inter-relationships, so has been excelling itself of that you can form new late. A kind reader – a insights into their development over time." senior manager in a well known company - has Cost: £2,900 for 30 hours of assed on to me a letter that Maybe I'm just getting

sour and cynical. Maybe it is has just sent him. The time to go on a course called purpose of the letter was to "Chicken Soup for the Woman's Soul" which sell yet another leadership ises to warm my heart At least I call it a course. the LBS refers to it as an and lift my spirits. Sometimes, it's necessary to celebrate how good you I sympathise with anyone who has to write letters to really are, to remind yourself how wonderful it is executives to convince them to part with lots of money to simply to be you," says the go on a course. But the publicity material.

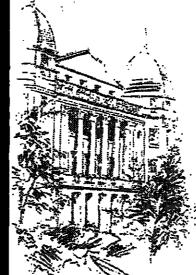
I asked a colleague, a no-nonsense Scot, if he ever felt he needed reminding of how wonderful it was to be him. He said that every time he felt that way a pint of beer at the local pub usually sorted him out. And at a fraction of the cost.

But then he's a bloke and blokes are different. Anyone who fondly believes otherwise should look at the brochure of The Activity Superstore which offers off-beat corporate entertaining. And what do the (male) managers really like to do with their shareholders' money? They like to go on a day course called Big Jets and Bi-Planes. Failing that what they like is getting into a Chieftain tank, crushing cars. Enjoy, guys.

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En route to double trouble

Two flights may be cheaper than one, but is it worth it? asks Amon Cohen

I recently extolled on these pages the virtues of flying indirectly. Not only, I wrote, is it frequently cheaper to take two flights instead of one, but the journey time from door to door can also be

Unfortunately, I forgot that double the number of flights means double the opportunity for delays, as I discovered on a recent trip. My flight from London Heathrow took off 45 minutes late, and with a transfer time of only 40 minutes I missed my onward connection. The next connection from the transfer airport was not until the same time the following day, causing me to lose 24 hours of my journey.

Harassed airport staff say in private that the minimum transfer time between flights should be one bour. Yet at Amsterdam it is 40 minutes for intra-European connections and 50 minutes for all others, while Lufthansa recently lowered its minimum at Frankfurt and Munich from 40 to 35 min-

This is in spite of worsening congestion at leading airports, putting more connecting passengers at risk. At Heathrow, for instance, 23 per cent of all flights in 1997 departed more than 15 minutes late, while the figure for scheduled traffic from Gatwick was 31 per cent.

"Forty minutes may seem a long time but it can take 35 minutes to get across a terminal," says Piotr Sawko, a time. London-based management consultant who makes frequent indirect trips to east-

control delays are fewer and And airlines do not always • Expect to transfer from/to

handle botched connections well, as Mr Sawko found recently when his British Airways flight from Heathrow to Frankfurt developed a fault. On board, Mr Sawko realised he was going to miss a connection to Krakow with LOT Polish Airlines. Cabin crew recommended he try for an alternative flight via Warsaw but took two hours to let him off. When escort to take him to the connections desk, despite having only 15 minutes to reach the gate. After a frantic sprint, he reached the gate with seconds to spare. only to be told that there were no available seats on the Warsaw flight after all. BA has apologised to Mr Sawko, reimbursed his taxi fares and offered blm £250 in

flight vouchers. The airline's connections manager Annie Barber says BA has introduced an improved system for helping delayed passengers at Heathrow, where it handles 18,000 transfers daily. BA's mini-representative meets their mums at Heathrow vary from 60-90 minutes for transfers between terminals, but within Terminal One or Terminal Four, it is 45 minutes. Late-running BA passengers with a chance of mak-

Take an earlier first led

Don't accept an itinerary

with a connection time the

same as the transfer airport's

statutory minimum connection

there is less distance to walk.

than the tightest itinerary

airports where air traffic

How to stay connected

On the run: your flight is just minutes away, if you're fast o

vice protection". They are identified on the connections department's computer and are either escorted on foot to their onward flight or whisked off by bus. Those who will certainly miss their connections go into "service recovery", whereby a BA incoming flight and helps them rearrange their sched-

BA also has some latitude in holding departures for late-connecting passengers. "We will try to delay the airing their connection are put craft if, say, it is to a destiinto what is known as "ser- nation we serve only three

more remote parts of the

airport if your flight is from/to

a minor business destination.

Carry hand-luggage only.

If possible, fly both legs

Fiv first or business class

they are more likely to hold

Carry a flight guide in case

you have to rearrange your

with the same airline.

the aircraft for you.

schedule.

Fly direct

times per week," says Ms Barber.

Ms Barber adds that 95 per cent of service protection passengers make their connections, while 90 per cent of service recovery passengers

Harry Hobmeister, network planning vice-president at Lufthansa, claims that 99 per cent of his airline's transferring passengers make their connections. It also escorts late travellers and, where possible, positions flights with a high percentage of connecting passengers in close proximity.

Despite the best efforts of airlines, business travel agents advise their clients to allow leeway for transfers. "If things are looking tight, we always tell customers to take an earlier flight, especially if they might get stuck overnight," says Dennis Hart, director of Sibbald Travel in Edinburgh.

Mike Bor, managing direct tor at World Travel for Business, says that if passengers miss their connections, airline connection staff are gen-erally expert at rescheduling

London hotel prices drop as demand declines

last being offered better hotel prices in London. For the past three years, rooms has meant prices

have been high. But demand is slowing amid the Asian economic crisis - in particular, there has been less business from Japan; the pound has been strong: there is a perception that London is expensive and that the UK is on the For the first time in years London hoteliers are

concerned about the future. "The first two weeks of August are looking a little quiet," admits the trendy

London Metropolitan hotel on Park Lane.

"Our occupancy is not as high as last year and I'm hearing of demand dropping off from other hotels too." says David Black, director of Corporate Business Travel at Marriott Hotels, which has 950 rooms across London. "Plus a lot of new hotels are opening so that

wili dilute businesa too." Olivia Hetherington, manager of the four-star Bailey's Hotel, concurs: "It's a little bit tougher than last vear. We're doing more deals now and giving more rooms at a lower rate than we would normally do. it's a bit of a bargain."

vear. Business has also been

boosted by oil and gas

companies needing to fly

personnel in and out of

Afghanistan.

Hotels group is suffering from fewer tourists rather than a decline in business visitors. "The leisure market is a lot weaker than we anticipated but the

corporate market is holding up so far," says Herinder Singh, director of marketing After the Gulf war, hoteliers were keen to recoup their losses. Pricas have increased by as much

as 100 per cent, especially at de luxe notels. Tony Hughes, managing director of P&O Business Travel. "It's the two- to

"Availability [of rooms] has been zero for years," says

to oninatios ett griees demand and rates. It's good news for the business

Samantha Ross, strategic planning analyst at The Travel Company, says it is the top hotels that are suffering most, as they have raised rates by 10 per cent this year: "I know some five-star hotels which have pushed through substantial reductions, from £200 in January to £150, it's a definite trend. Next year those same hotels are looking at rises of only 4 per cent or 5 per cent instead.

soon be heading for western

Carriage link-up

Business life on the rails is

getting easier, writes Gillian Upton. Last week Cellnet

began a six-month trial of a

communication carriage on

Virgin's London-Manchester

route. Passengers in first class

are able to send and receive

business calls and recharge

mobile phones, all for free.

e-mails and faxes, make

Gillian Upton

Europe.

IN BRIEF

More flights for more travellers to Bangkok

Flying in the face of Asia's economic woes, Thai Airways is increasing services between Bangkok and London from seven to 10 a week when its winter schedule starts on October 26. The main reason Is the large number of extra travellers from the UK taking advantage of the cheaper baht. The extra flights will be on Tuesdays, Thursdays and Saturdays, departing from London Heathrow at 9pm and arriving at 3.35pm the following day. Return services

Soaring demand for private jets

London at 5.50pm.

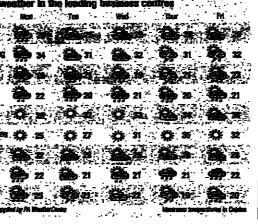
Anxiety about the safety of airlines in emerging nations continues to fuel an increa in demand for private business lets. Hunt and Palmer, the UK-based charter broker, says that in May and June inquiries about flights to Russia and other former Soviet countries doubled compared

with the same period last

Deals on wheels

TravelPass extended

SAS has extended its new multiple flight "TravelPass" to the Aberdeen-Stavenger route. Passes are valid for a year. There are three kinds, covering 10 or 20 single flights or unlimited trips. Respectively they cost £2,050 (plus £135 tax), £3,860 (plus £270 tax) and £11,414 (otus£700 tax).



Los Angeles for \$500 a day. Two Russian banks have bought a van and it could

For business travellers who like making deals on the move the ultimate vehicle is now at their disposal - the \$80,000 (£50,000) mobile office, writes Amon Cohen, Chicago-based LandJet has taken a \$25,000 GMC Savana van and converted it into a fully

equipped working environment. Features include four power ports for leptop computers, three Motorola cellular telephones with voice-mail and power ports, plus a fax, copier, printer and modern. The LandJet is for hire in Chicago, New York and

Changed exchange

Philadelphia's former stock exchange building is to be converted into a 300-room. four-star hotel. Scheduled to open in 2000, it will be part of the Sofitel chain operated by Accor, the French hotel and tourism group. Preliminary olans are for 13-storeys with a 🛚 🦪 brasserie and meeting rooms. Accor already manages seven Sofitels in the US and construction is due to start this year on two more hotels in Chicago and New York.

Roger Bray



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SIEMENS

When your job is to stop the shopping Videos

A Silicon Valley human resources director has to find novel ways of retaining staff, finds Richard Donkin

How can you possibly keep good employees when your immediate labour market has 20,000 vacancies at any one time, where the local newspapers can feature 4,000 job advertisements in an issue, and where competitors' recruitment vans have been known to pull up in the street

attempting to entice staff?
That is the daily challenge for Debra Engel, senior vice-president, corporate services, at 3Com, the computer networking business which employs about 2,800 people - about a quarter of its worldwide workforce – at its Santa Clara headquarters in Silicon Valley.

Ms Engel is one of a new breed of human resource director - the term is not even included in her job title - who has positioned the function at the centre of corporate strategy. The idea, she says, is to make 3Com a preferred employer because it has created an environment which enables people to work how they choose.
"We used to talk about work-life

balance. Now we talk about worklife integration," she says. No one at 3Com is contracted on the basis of the hours they work. Such contracts, says Ms Engel, have become meaningless when people can often find themselves working a 70-hour week to drive forward new projects. Work teams engaged on product development running around the clock arrange the cover between themselves. One team might pass its project to another in India which continues the work as the US team sleeps, passing it back the next day so that development is continuous.

"Working patterns tend to be dictated by circumstance. I am on the road this week and I have a laptop, so my secretary does not need to be here. We can stay in touch electronically. The point is to be as efficient as you can be in your life and work," says Ms Engel.

"The idea of the no-hours consystem. We didn't want to dictate people's personal arrangements. tors began vying for expertise.

"Something between a half-and "We have nomadic workers." 75 per cent of our revenue comes from products developed in the last year. The business is that dynamic. Someone who might have been a star last year could find that their skills have gone by the wayside the next year. We have businesses at 3Com that three years ago were growing by 100 per cent a year and which are now in decline, while there are others that have not yet been thought of. How do you man-

age that kind of volatility? Her answer has been to develop. Three-quarters of our professional personnel policies that focus on giving people the freedom to choose their own terms of employment. That has meant flexible hours, flexible pensions and uniform benefits packages that do not recognise status.

We have moved on from paternalistic organisations where people at the top had all the answers, to those where the relationship with employees is collaborative and sharing, more of a partnership."



early 1990s many companies did uncomfortable." not know how to respond to prestract was to put permission in the sure on margins beyond adopting old behaviours which said "when

> Managers and directors no longer have offices. They

talk about their 'cubes'

people are equipped to work anytime, anywhere and they do. Work life is going on all the time. It is defined by when you choose to engage and disengage."

Some of the hardest lessons from such changes, she says, have been for management. "The company used to monitor calls from work to make sure people were not making personal calls and it used to monitor personal internet use. Now this is regarded as a benefit of working.

The transformation has been so sudden - spanning about three such concepts almost instantly. It decades, she says - that during the is the managements that have been

Ms Engel is trying to put across some of these ideas in a new leadership programme for directors teleworking systems, but to times get tough, you get tough". and vice-presidents. The managers encourage it to happen to suit That did not work when competiare asked to "sit in community". About 20 of them form a big circle with no chairman and no firm enda and "engage in dialog

> The company, she says, is still trying to cope with the transition from what she calls the industrial to the knowledge age. "We have a foot in both camps but we are trying to let go of those old notions of hierarchy." Managers and directors no longer have offices in Santa Clara. They talk about their "cubes" - partitioned work spaces.

More traditional arrangements persist in the company's European offices, but the trend is towards the US-style arrangements.

"You can always get a better paid job in Silicon Valley. Any one of our people could shop across the road and improve their salary," savs Ms Engel. "What we are looking at Is just what causes people to shop. If people can say "This is what my company does and it is something that makes a difference, they may feel less inclined to go shopping in the first



Videos Now: e-commerce fast forward

A fresh service provides an attractive alternative to the prohibitively expensive business of building a brand unaided

If you look at the web site of Videos Now (www.videosnow.com) you will see an impressive launch pad for a service that does not yet exist. Starting next month, Videos Now will offer a range of 100,000 different videos for sale to customers in the US, with a range of low-cost to high-speed delivery options and all the bells and whistles that American electronic commerce consumers have come to

What makes Videos Now interesting, however, is that it is a classic example of a new model for electronic commerce. To see why, it is worth recalling that as the control of access to the internet is concentrating into fewer and fewer hands, it is becoming increasingly expensive to build a brand unaided - to create a web site that, in the jargon, is a "destination" where people get used to going. For all but the largest companies, the marketing investments required are simply too great.

That is why a second model is emerging. Under this second model, you become the equivalent of what is known in the computer industry as an ORM (original equipment manufacturer) supplier Instead of owning the relationship with the customer directly, you rely on a trusted brand whose web site or online service generates millions of hours of traffic, and use that brand as a launching pad from which to build a

Videos Now is a venture from a company called Digital Courier, quoted on the Nasdaq market under the ticker symbol DCTL The company already operates a number of existing Web businesses, including a weather service called Weather-Now and a hoo called Books Now. of these businesses rely on partnerships to succeed. Weather Now is promoted largely through the search engine Excite; Books Now is the front-end to an alliance of magazine publishers, and charges full price for books because most of its visitors have clicked to the site after reading a book review, rather than after comparing prices around the web. Exploiting one of the chief

advantages of Silicon Valley businesses, Videos Now will not actually touch any videos. Initially it will rely on three outsourcing companies, which will receive inventory, take orders electronically, and ship packages out directly to customers. The company expects to pay \$9 to \$10 (£5.40 to £6) per video, selling on at a price of about \$12.75 and it expects customers to pay prices

starting from \$3.95 for shipping.

plans for the city - in front of the

world's media to explain how Mr Netanyahu is undermining the

responding quickly and efficiently

There are countless other

examples of incompetence in

to events and queries. Press

conferences as much as press

statements are rare. Telephone

calls to Mr Arafat's office in Gaza

are rarely returned. When Nabil

Shaath, planning minister, was

at the Palestinian information

Oslo accords.

According to RJ Pittman, the company's chief executive, that will leave it with net margins "in the high single figures.

That may sound like an unattractively narrow-margin business. But Mr Pittman believes he has two killer advantages. One is a partnership with Verifone, the online credit-card company, which will allow his company to process credit card transactions for less than half the 2.25 per cent commission that he believes standard for the industry. The other is a partnership with America Online.

Mr Pittman's company has just

signed a deal with AOL in which it will pay \$12m over a five-year period in return for about 500m impressions (page views) on the world's leading online service. In addition, if AOL overdelivers on impressions or if the two companies enter into other partnerships, AOL will have the option to buy about \$2m of stock in the company. As a final kicker, AOL will receive a small percentage of the company's revenues after the first \$100m.

For a company whose market capitalisation is only \$80m, this is

It is becoming increasingly

expensive to create a web site that is

a 'destination'

a big bet. Mr Pitiman expects to be able to finance the deal out of cash flow from the second year onwards. To bridge the gap in the first year, he hopes to arrange a secondary offering of the company's stock, raising about \$30m at a premium of about 50 per cent to the existing market price.

When I put it to him that the Videos Now venture will either eague or make it go bust, Mr Pittman resisted. "With AOL, you have to screw up royally to go bust," he replied. Providing the execution is properly handled, he helieves, the simple number of impressions – the exposure to potential customers - will mean that Videos Now can hope to be at least a modest success. The upside? To become the de facto industry standard.

If the company can succeed in doing this, it will have achieved an impressive feat. Not only is there already an existing powerful player in the space - www.reel.com - but also Amazon, the online bookseller, is moving aggressively into video along with several other new ventures. But Mr Pittman did agree that it is important to take risks in his business. No wonder. He turned 29 last Thursday.

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JUDY DEMPSEY

cry for freedom from Jericho

It is remarkable that the Palestinian Authority has failed to provide professional PR to counter Israel's charges about the stalled peace process

Shari does not travel anywhere these days. Not that she wants to go far.

She lives in Jericho, a small, sleepy Palestinian town only 30 minutes east of Jerusalem, where some of her friends live. But anytime Shari wants to visit them. she has to apply to the Israeli authorities to obtain a travel permit

Occasionally they give her one. Last week they refused. "Sometimes they give a reason. Most times not," says Shari, "This time they said I was not married. That was why I could not get a -

permit." Jericho is not under Israeli control. It is run by the Palestinian Authority headed by Yassir Arafat, But that does not make Shari's life, or those of many other Palestinians, any easier.

Palestinians wishing to visit Jerusalem, collect friends from Israel's Ben Gurion international airport, or travel between the West Bank and Gaza, must always apply to the israelis for a travel permit. The permits, if granted, strictly

limit the time any Palestinian is allowed to spend in Israel, usually to a few hours. The same applies to traders in Gaza and the West Bank. Divided by a narrow

swaline of Israeli territory, they often wait in vain for permission from Israel to do business with each other.

So just as Shari is cut off from Jerusalem, Palestinians in Gaza and the West Bank are cut off from each other. This is in spite of the fact that the freedom to travel and the establishment of a safe passage between the West Bank and Gaza was agreed between Israel and the Palestinians during the 1995 Oslo neace accords.

Many Israelis have no idea of the restrictions their government imposes on Palestinians. Nor has US public opinion - that is, Congress and CNN - which Benjamin Netanyahu, Israel's prime minister, has targeted in his campaign to demonstrate that it is the Palestinians, and not israel, who are failing to implement the Oslo accords.
Yet the Palestician Authority.

after four years in power and after seeing how Mr Netanyahu works the US television networks and Congress, has failed to provide professional public relations to counter Israel's charges that the Palestinians alone are to blame for the stalled peace process. "It is a complete disaster," sighs

one western ambassador. "I simply

city is supposed to be left up to final settlement negotiations

between Israel and the Palestinians the Palestinians failed to go on supposed to give a press conference the offensive.

cannot understand the Palestinian

When Mr Netanyahu last month

Authority's attitude towards the

presented plans to extend the

boundaries of Jerusalem - even

though the status of the disputed

With a more open approach, we could do so much more to get our views on Oslo across to Israel and the US. It would also strengthen our civil society

Hanan Ashrawi, the Palestinian higher education minister, predictably criticises the plan. But she has no maps, charts, or statistics to hand to give a . convincing account of how such a plan will cut off Palestinians in the West Bank from Palestinians in eset Jernsalem.

And not once has the Palestinian Authority thought of putting Khalil Tafahji - a cartographer with an extraordinarily detailed geographical knowledge of the West Bank, Jerusalem and Israel's

ministry in Ramallah a few months ago, he arrived late. "Sorry," he quipped. "I didn't know there was a ministry here."

A Palestinian minister tries to explain why the Palestinian Anthority's public relations machine is so had. "We have no money. A PR firm costs money," he says. Yet Mr Arafat's close colleagues have ample money earned from running monopolies in Gaza and the West Bank to own expensive cars and houses and educate their children privately.

More thoughtful, liberal Palestinians place the blame squarely on Mr Arafat's shoulders. "Arafat is still a revolutionary," says one. "He has not made the transition from revolutionary to statesman. He is obsessed with controlling everything."

This control extends to the Palestinian media, within which many journalists have adopted self-censorship rather than risk the authority shutting their newspaper offices. Criticism of Mr Arafat and the Palestinian Authority's miserable human rights records is not permitted. Discussions about the direction of Palestinian society - a subject endlessly but privately

discussed among young

Palestinians - is limited. Broadcasts of the Palestinian Legislative Council, the de facto parliament democratically elected in 1996, are blocked. The independent Nablus-based Centre for Palestinian Research has come under pressure from Mr Arafat and

the PLC if opinion polls show support for either slipping. "With a more open approach, we could do so much more to get our thre learn of same old on swelving the US. It would also strengthen our civil society," says a senior Palestinian official. "But that decision has to come from the top, from Arafat and his minders. What

more can I say?"

going to become a global market leader?

Partnership that works both ways

interaction to be meaningful,

would interfere with work.

sessions of about one-and-a

half hours. Most discussions

took place over lunch, when

clients were least likely to

The lunch sessions also

got them out of the office. "I

knew if we had people pop-

ping in and phone calls

being put through, we

wouldn't be able to concen-

trate," said Ms Knapp. In

between meetings, they

exchanged frequent phone

The two have slightly dif-

ferent views on what went

well and poorly in the rela-

tionship. While Ms Knapp

believes she excelled at mix-

ing practical advice with

inspiration talk, Ms Benson

says she benefited most from

the other's intellectual

The results of mentoring are unpredictable and the participants may not even agree on what they are, writes Victoria Griffith

ship.

contact them.

calls and e-mail.

When Ellen (Lin) wide sphere of influence. Knapp, a senior partner at Pricewaterhouse Coopers, and Virginia Benson, then a senior manager, were thrown together under a corporate mentor- face-to-face meetings freship programme two years ago, neither woman felt the relationship would be very truitful

Ms Knapp, some 13 years older than Ms Benson, feared there was too much of an age gap. Ms Benson, working in the auditing section of the firm, was afraid Ms Knapp, who came from a management consulting background, would not be able to offer much professional advice.

Both women were surprised at how well the meatorship worked out. Their experience sheds light on how mentors can be used to improve performance and advance careers.

Part of the success of the relationship is probably attributable to Ms Knapp's personality and status. A large, good-humoured she manages to be motherly without being condescending. Ms Knapp is input. "She taught me to also close to Pricewater-think, more than anything

this way?' Pretty soon, I was thinking on a higher level myself." Ms Benson, for instance.

had chosen to specialise in The first point of business the euro currency before the for Ms Benson and Ms mentorship began. While dis-Knapp was to work out the cussion around the euro still focused on whether or not it logistics of their relationwould happen, Ms Knapp They wanted encouraged her to take a quently enough for their step forward and analyse the common currency's implications once it went into effect. but not so often that it Both women agree that They opted for once-a-month networking was key. Ms

> the names of people she thought might be helpful. Particularly useful was a aan Ms Knapp knew who had just moved to the Amsterdam office: Laura Schupmann. Ms Knapp thought Ms Schupmann could pass on articles on the euro appearing in the European press. Ms Schupmann and Ms Benson had something else in common: they were both new mothers, and their shared experiences quickly blossomed into a long-distance friendship.

Knapp regularly passed on

Ms Knapp also boosted Ms of conference organisers. Benson's visibility with clients and colleagues at Coopers. "I knew from the start that I wanted to pass on the importance of making yourself known," said Ms Knapp. "Women tend to be less visible because we engage in behaviour that is not as loud



s put Virginia Benson (left) and Ellen Knapp together David Howelt

that contributes to problems of promotion."

She encouraged Ms Bentently whether she was speaking up at meetings and volunteering for high profile activities such as client demonstrations. She also suggested Ms Benson as an expert speaker on the common currency to a number

The mentor relationship was not always easy. Ms Knapp feels she fell short in helping Ms Benson, as a new mother, sort out conflicts between work and family. "Although I have children, I didn't really start my career until they were in school, ter partner.

or aggressive as men, and and it was all so long ago that I don't remember the day-to-day trials." Ms Benson says Ms

son to ask herself consis- Knapp's own achievement as a working mother was inspiration enough, but takes issue with her mentor's practical influence on her promotion "Recause Lin was in a different area, she really had little say in whether or not I became partner, and I think one of the things you expect from a mentor is that they directly promote your

advancement. Luckily, I was close to becoming partner even before the mentor programme started. Still, it was with Lin will make me a bet-

Tips on making a mentor ship programme work: Work out the logistics. Make sure meetings are set with some frequency and that there are no distrac-· Choose a mentor with

some influence. If the person is in a different area, it can still work, if you have other supporters who can lobby for your promotion.

 Ask for and accept any useful advice or help, even if it does not strictly seem to fit the programme. One of the most impor-tant things is access to a net-

work. If you are denied that access, you are probably not getting the most out of the

present a problem and she'd WOMEN ON THE BOARD

Uphill struggle to get round the table

it is a roner, job being a senior manager if you also happen to be a woman. Spare a thought, then, for the female board members in British industry.

Research from the City Women's Network, a club of Britain's highest-flying pro-

52 of the appointments. ludicrous, says John Mellor, chief executive of the Non-Executive Director's Forum. because companies are crying out for female non-execu-

To try to get more women fessional women, shows that on to the boards of Britain's of the 1,200 directorships in biggest companies, the Ned the FTSE 100 companies. Forum has joined forces over the next few years.

only 40 are women, who hold with the City Women's Network. The Forum already The situation is even more offers training or development programmes for existing or potential non-executive directors and hopes to increase the proportion of women on these programmes. The two organisations believe a target of 20 per cent women non-executive directors is achievable

But what do women bring to the boardroom that men do not? The City Women's Network is carrying out research to try to find out. Anecdotally, Mr Mellor believes women tend to depoliticise board meetings, while Naomi King, vice-chair of the CWN, believes women are always very active and committed to what they do. Prue Leith, restaurateur

and non-executive director Forum courses centre on of both the Halifax Building case studies and role-playing Society and Whitbread. believes it is not so easy to encapsulate the qualities a woman brings in a single sentence. "I think I'm uneasy about any company being represented at the top by people who are not the same sex as the majority of their customers or staff."

Forum when appointing nonexecutive directors.

The two-and-a-half-day Della Bradshaw

Harvard and the Student Loss Corporation, a subsidiary of Citibank, means MBA students are eligible to borrow funds under a customised version of Citibenk's private CitiAssist programme. In return. Citibank has become the only financial institution to

be granted preferred lender status with Harvard MBAs. Features of the loan include

outside the US.

education body, Unicon, has elected an executive education specialist from North Carolina to be the next president and chairman of the

Frank Morgan, executive programmes director at the Kenan-Flagler business school at the University of North and give up-to-date information on corporate gover-Carolina at Chapel Hill, will succeed Michael Pitfield from nance issues. Alumni go on Hanley Management College the Forum's register of trained professionals. Comwho was the first non-US

Unicon, which stands for

NEWS FROM CAMPUS

Cash backing for Harvard's foreign MBAs

offered an MBA place at Harvard Business School will no longer have to turn the place down through lack of

Harvard has negotiated a loan scheme with Citibenk for all new students, regardless of citizenship. In the past private loans were usually limited to US students.

The agreement between

a low interest rate, repayment over 15 years and a waiver on fees to set up the loan. The total two-year budget for a single student in the MBA programme is about \$95,000 (£57,600), according to Harvard, including fees, housing and personal es. More than 25 per cent of the intake on the Harvard MBA come from

Harvard www.hbs.edu

Unicon takes on Morgan

panies can approach the

are International University Consortium for Executive Education, was founded in 1972 and now has 67 member schools, including Harvard, Stanford and insead. Unicon: US, 908 903 1180

New home in Rotterdam

Later this week construction will begin on the new building for the Rotterdam School of Management on the Erasmus University compus in the Netherlands, RSM plans to move into the building, which will have lecture halls, break-out rooms for discussions, a trading room simulator and electronic library, by the end of 1999. The building will enable RSM to expand its full-time and part-time MBA programmes and to bring its executive programmes on to the main campus.

Essential guides for students

Erasmus: www.rsm.nl/

Revised editions of two favourite business schools guides will be on sale from For those trying to track

down relevant executive programmes, the Economist Intelligence Unit has published the third edition of Which Executive Programme? Priced at £29.95 (\$50), the guide examines some of the best programmes in a market estimated to be worth \$12bn (£7.2 bn) a year. EIU: UK, (0)171 830 1007 The London-based

of its Guide to Business Schools which, claim the the budding MBA student needs to know before

Association of MBAs has brought out the latest version compilers, covers everything embarking on an MBA. Priced at £26.95 in the UK, the guide looks, among other things, at

studying overseas and how to finance an MBA course. Association of MBAs: www.mbs.org.uk

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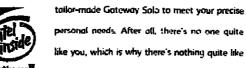
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CASE COMPETITION

A continuing case for the clearing house

After 25 years the traffic in case studies is still growing, writes **Della Bradshaw**

At the end of last month delegates from nine countries met in the heart of the English countryside to consider a future strategy for the National Merchant Bank of

Would the bank still be able to expand following the riots in Zimbabwe earlier this year? And would US and European banks continue to

provide NMBZ with lines of

credit if the political uncertainties were not resolved? This was no international strategy meeting, however. The delegates in question were teams of MBA students from 13 business schools taking part in the European Business Schools Case Competition at Cranfield University, which is sponsored by Gemini Consulting. The case study of NMBZ was written specially for the event,

Europe 25 years ago. The European Case Clearway since it was set up in 1973 as the Case Clearing House of Great Britain and Ireland. Then it had just a handful of participating schools; today it has more than 300 members and a collection of more than 14,000

business schools internation- for the paper-based case. ally and to disseminate cases written at the big North a week so he or she needs to business be able to take the case and American schools in Europe.

growing, says Jeffrey Gray, you in the bath." consultant director at the ECCH. "There is a perception that case studies are going out of fashion, but that just doesn't stand up."

An increasing number of mercial organisations are turning to the case method.

The ECCH distributes some 50 new cases a month from European schools and some 70 or 80 from Harvard Business School, figures which are growing by the

In Europe lese, at the University of Navarra in Barcelona, is the biggest European case publisher, followed by Insead, in Fontainebleau and

IMD in Lausanne. According to Mr Gray, about 60 per cent of the cases bought and shipped in Europe originate from Har-Insead and IMD each account for about 10 per cent of total sales in Europe.

The ECCH also distributes cases written by the other two big North American case-writing schools - the Darden school at the University of Virginia in Charlottesville and the Richard Ivey school at the University of Western Ontario - in

In the US the ECCH set up which was held to commem-orate the foundation of a lege, mear Boston, to introcase clearing house in duce the US market to European case writing. But the take-up has been

ing House has come a long relatively disappointing according to Mr Gray. The big internationally focused Columbia, Michigan, Harvard and Thunderbird have been the biggest customers of European cases. The EECH is now begin-

ning to move into the elec-The ECCH runs training tronic age with the distribucourses on how to write tion of CD-Rom based cases cases and how to teach which incorporate live video them. But its main line of footage to help tell the tale. business is to distribute case However, Mr Gray believes studies written by European -there will always be a place "The MBA works 80 hours

read it in the bath. You can-It is a business which is not take your laptop with As to the anniversary case competition, that was won by the team of MBAs from

the Said business school at

Oxford University.

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THEATIS

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WEAPONS THAT BLIND OR POISON HAVE BEEN BANNED. SO WHY IS THE WEAPON THAT DID THIS STILL LEGAL?

There are some weapons so abhorrent that their use simply cannot be permitted.

The horrific effects of poison gas in World War I saw this weapon banned in 1925.

The insidious blinding laser joined this list in 1996.

But there is one weapon that causes untold human suffering and still continues to be used.

That weapon is the landmine.

Anti-personnel landmines are frequently laid in a haphazard fashion and continue to operate long after a conflict has ended.

Which means the victims tend not to be soldiers with ample medical support, but poor men, women and children playing no part in the conflict.

Today, somewhere in the world the life of another young child will be cruelly shattered by one of these weapons.

Just one of seventy civilians who fall victim to the landmine every single day.

That is why the International



Committee of the Red Cross is leading the call for a total ban on the production, export, use and stockpiling of anti-personnel landmines.

The weapon that mutilated this defenceless child cannot be

allowed to continue its carnage.

Before another century starts, landmines must be stopped.



INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

LANDMINES MUST BE STOPPED

Teamwork put to test for new organisers

Patrick Harverson reports on the obstacles ahead for Japan and South Korea, the joint host nations for the next World Cup

that France 98 is over it is a history of anmity and badly in Japan and South time to start thinking about mutual suspicion - not to the next World Cup. Given mention separate languages, that there has been speculathe next World Cup. Given the organisers of the new millennium's first tournament - to be jointly hosted by South Korea and Japan four years may not be long enough to prepare for the host the 64 games.

kick-off in June 2002. ball's governing body, made

As grim as it may seem, now event in two countries with situation has deteriorated so mention separate languages, currencies, time zones and

> The complications are mind-boggling. No fewer than 20 cities, double the number used in France, will

The political tensions ger than in Japan. Infra-Ever since Fifa, world foot- between the host organisers structure and stadium develhave eased during the two years since that fateful comto appoint co-hosts in 2002, promise, but the financial and organisational burdens been grappling with the have grown with the onset problems of organising the of a severe economic crisis world's biggest sporting in the region. The economic

Korean organising committee, put the latest estimate of the total cost of the World Cup at Won1,300bn (\$1bn). However, despite the huge

investment required to prepare the country for the tournament, representatives from South Korea were putting on a brave front for the media while in France. At a Paris reception on Friday for the 2002 hosts, Choi Chang-Shin was asked about the dire economic situation in his country and the special problems this created for World Cup preparations. "What special problems?" he

The Japanese football hotels and media facilities. authorities were also dis- hensible than France's.

of the Japan Football Associ-ation and a member of Fifa's come the football world in and political complexity to World Cup organising com- 2002, there are other ques- an already complicated mittee, said: "So far, we don't worry about the economic situation. We are not

Both groups were also being coy about what they had learned from the French organisers this summer. The right sort of things were said about the ticketing arrangements, widely agreed to have been poorly handled at France 98, but little else was revealed. The South Koreans seemed most keen to ensure their opening ceremony would prove if not better, then at least more compre-

thinking about it."

tions about the next World Cup that need to be

Will the two "home" teams be good enough to progress beyond the first round, and if they are not, how will this affect the tournament? When will the games be played in the evenings to suit European television audiences, or in the mornings to suit South American audiences? Will the stadiums be robbed of atmosphere by the likelihood that few visiting football fans will be able to Korea be invited to host

Last week, Choi Chang-Shin, playing remarkable sang- While most observers some of the games - as has the secretary-general of the froid Tadao Murata, director believe South Korea and been proposed - adding an tournament?

Answers to these and other questions were not forthcoming in Paris last

As with the US in 1994. Fifa believes it is right to take the football's greatest event to new, uncharted territory. However, the decision. had more to do with the sport's politics than with

organisational practicalities. From today, the football authorities in South Korea, Japan and in Switzerland (Fifa's home), have four years to prove it was the

REFEREES

In search play in all quarters

France 98 will be remem bered in part as the World Cup of rough justice.

Officials were extraordinarily severe when dealing with certain "showcase offences, such as tackles from behind, retaliation and dissent. But this was mixed with extreme laxity when sanctioning others - divine. feigning injury and the sort of shirt-pulling and holding that has turned penalty areas into virtual war zones before corners and free

The result is a lingering eeling that relatively honest troopers such as Laurent Blanc, Morten Wieghorst, Zinedine Zidane and even the foolish David Beckham have been punished too harshly, while the real culprits have largely got away

intimate

meat in

Giovan

These perpetrators of football's black arts have shown enough savvy to avoid the tackle from behind, which referees were always going to pick on at this World Cup, in favour of other less dangerous, but no less filegal, ways of grabbing an unfair

One of the most effective ways of doing this is by reducing the opposition to 10 men. Of 21 red cards meted out before yesterday's final, only three were given to players who ended up on the winning team. In two cases. those of Zidane and Arthur Numan of Holland, the ames finished 10-a-side. For Blanc, the expulsion came relatively late in the game with France leading

It is to the detriment of the game to allow this situation to continue, but how can it be changed for the next World Cup in 2002?

One remedy would be to supply referees with a greater number of punishment options. Even when a red card is instified, its minitive effect varies immensely and arbitrarily, depending on whether a given offence is committed in the eighth or 80th minute.

Time-limited expulsions. in the manner of icehockey's "sin-bin", should be considered. So should sendings off where the offending layer is replaced by a team mate, thus delivering personal retribution without ruining the game.

The powers-that-be should also give World Cup officials a better idea of whether they are likely to be retained for the latter stages, well before the tournament begins.

Being judged on their firsterees in a vulnerable position. As one assistant referee said: "We are all here to help each other, but at the end of the day, we all want the same thing." It is hardly surprising that a public exhortation by Sepp Blatter, the new president of Fifa, the game's governing body, to give red cards for tackles from behind should apparently have contributed to "Red Thursday" on June 18, when five players were sent off in two games.

Dismissed players should also be able to appeal against the decision with the

David Owen

Dutch attacking treat proves too expensive By Peter Nichols NUMBERS SO FAR

CROATIA 2 HOLLAND 1 THIRD PLACE PLAY-OFF

' It was a match that Holland had no heart for. They put a gloss on it and pushed gloomier thoughts aside Leading goalscorer with a strategy of adventure. Guus Hiddink, the Dutch coach, pushed left-back Arthur Numan up on the left

to support Philip Cocu, and Boudewijn Zenden was absolved of defensive duties on the right. In the clever tricks department, Clarence Seedorf and Zenden battled for top billing. In all, it was an engaging effort at showmanship and it cost them the match.

Unfortunately, football is not often a game for romantics. Hiddink's philosophy when Dennis Bergkamp Kluivert converted his Dutch adrenalin was not in

such short supply. Imprecise in the final phases of attack, they were left exposed at the back. Boer and Jaap Stam stood

They were caught in the but lacking true fitness was 13th minute, with Robert soon closed down. Berg- Blanc in the semi-final Billic best to defuse the situation. as the third-best football

Goals total

247 Converted penalties Prosinecki tidily finishing kamp, looking even less fit,

off the move. And though Zenden replied with a fine individual strike in the 21st minute, they were caught a second time after 35 minutes, when Davor Suker had so much time on the ball he could have written van der the shot was coming.

Suker's goal was the single rapturous moment in the match, the Crosts threading together almost 30 passes, mostly one-touch, before the could have paid off on a day striker claimed his sixth goal of the tournament. Sadly, it offered a threat or Patrick also condemned the game to a second half of such limited Croatian ambition that van der Sar was not troubled by a single shot.

Holland reformed at the break and looked more balanced for it, with Numan When the Croats charged playing deeper and Cocu from defence only Frank de replaced by Marc Overmars on the left, which put Mario between them and Edwin Stanic on his guard. Overmars tortured him briefly,

168 Sendings off. Davor Suker (Croatia) 6

was replaced by Pierre van

Hoofidonk in the 58th min-

tion that either one or both

countries might have to

Concern has particularly

focused on South Korea,

where the crisis is more

severe and likely to last lon-

opment plans have already

been cut back, but South

Korea must still make sub-

stantial investments in

transport, including a new

airport, tourist amenities,

The final stages of the nity for the Croats to display their theatrical talent. A number of players could Suker took the Oscar, collapsing like a sack of potatoes after the centlest touch from Frank De Boer in the penultimate minute of the game. When Soker eventually rose, he shrugged as if it

were all just a piece of fun.

The crowd thought other-

wise; most of them had come

to jeer Slaven Bilic; if Suker

wanted a piece of the action,

that was his choice. There were about 4,000 Dutch and 2,000 Croat supporters in the Parc des Princes in Paris rooting for head, when he had appartheir teams. The remaining 40,000 seemed to have only one intent: to berate Bilic for least popular. After the his part in the dismissal of French defender Laurent Miroslav Blasevic did his podium, they were endorsed



V for Victory: Croatia's match-winner Davor Suker (left) and captain Zvonimir Boban salute their supporters after the game

has not been the only actor in this tournament, but keeling over grasping his foreently been pushed on the chin, made him one of the match, Croatia's coach

Croatian representatives had reached this level once before, supplying five of the Yugoslavian team in the 1962 third-place play-off against Chile. That day they lost. On Saturday, joyfully atop a hastily constructed

team in the world. For a nation only formed in 1991, the journey has been brief but the distance travelled tation greatly enhanced. He long. The Dutch do not need to

European championships in biggest threat could be contract quickly.

approaches to Hiddink, who leaves this tournament with both his and his team's repu-Real Madrid coaching post rebuild their team for the that came vacant last week, but the Dutch would do well 2000, just their psyches. The to get his signature on a new

BEST AND WORST THE UPS AND DOWNS OF FRANCE 98

Super siblings, big tantrums and terrible socks

Although this edition of the Financial Times went to press before the World Cup final was over, Simon Kuper, Patrick Harverson and David Owen offer their nominations for the tournament's best and worst categories

Best game: England-Argentina (or Brazil-Holiand if you have Dutch sympathies). Biggest flop: Italian striker Alessandro del Piero.

Falsest dawn: Scotland's respectable 2-1 defeat against Brazil in the opening match, which fooled everybody into thinking · they had a reasonable team and might get through to the second Best brothers: A dead heat

between Denmark's Brian and

Michael Laudrup, and Holland's Frank and Ronald de Boer. Howto think of a better single-egg combination at any World Cup. Best player (for a total of four

minutes): Dennis Bergkamp.





Worst player (for the rest of the Best player overall: Whatever anyone says, and despite all the hype beforehand, Ronaldo. Just ing): Claudio Taffarel - for a Bra- print those letters? The garments Nicest remark by a coach: Berti

ask which player you would least can be only one answer. Goalkeepers 1 (most disappoint-

failed to justify their domestic billing as "the best in the world"): David Seaman, Andreas Kopke and Edwin van der Sar.

Biggest cheats: Arlel Ortega, Diego Straeone, Lorenzo Staelens, Dejan Stankovic and almost the entire Croatian team. Michael Owen, the most promising young cheat, is still disappointingly goal-oriented: he goes down solely to win free-kicks and penalties, rather than for the sheer aesthetic pleasure. Owen should learn from Ortega, who dived to try to win a penalty against Holland when it would have been easier to

dribble round Jaap Stam and Fairest players: Ronaldo, Tony Adams and Frank de Boer. Worst socks: Germany's, Just

zilian goalkeeper, disappointingly should be pensioned off along with the team. Worst continent: Asia, although if many had lost to Yugoslavia, if it Antarctica had submitted teams they might have been even worse.

Given the constant growth of the World Cup, we should soon find Most disappointing continent:

Most baffling opening ceremony: What were they thinking of with those racially stereotyped giants and that excruciating poetry? It will be a long time before the

French catch on to modern football irony. Best tantrums: Peter Schmeichel the Danish keeper, who berated eight-year-old hall boys for not returning the ball within his specified 1.34 second time limit. Second-best tantrums: The entire

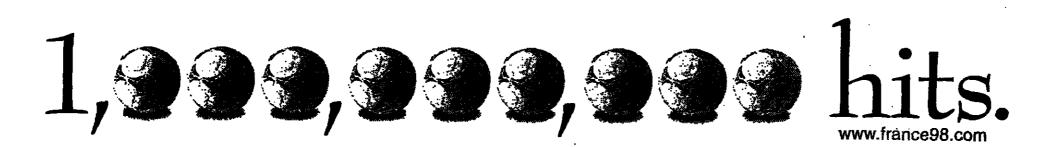
US squad after coming 32nd out of what alphabet did they use to Worst job: Covering Austria.

Vogts, German manager, saying that he would rather that Germeant that the Lens policeman beaten into coma by German fans on the same day was made well. Dumbest remark by a coach: Vogts saving Germany had lost to Croatia because of a Fifa conspiracy to remove his side from the

World Cup. Second dumbest: England's Glenr Hoddle, saying that the English fans in Marseilles had been provoked by Tunisians. courageous decision:

Hoddle's, in making Michael Owen start the World Cup on the And finally - best response to

those who say the World Cup should never have been hosted in France because the country lacks passion for football: True, but have you ever eaten in a aid of video evidence. French restaurant, or visited the



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THE ARTS

The 1908 Proms begin at the Royal Albert Hall on Friday with Berlioz's La Demnation de Faust conducted by Andrew Devis. The opening weekend continues in opening vein with Rameau's Zoroastre on Saturday (William) Christie and Les Arts Florissants) and Szymanowski's King Roger on Sunday (Simon Rettle and his Birminghem crchestral, The BSON FUNS UNTIL Aptember 12 **Venice**

Gallery on explores how the artist produced old and new on Wednesday, his views of one of the most Trevor Neinri's National Theatre

beautiful cities ever built. The exhibition consists of 23 paintings and drawings, majory from British collections, and takes the form of a tour along the Grand Canal

The Hayward Gallery presents a retrospective of American antist Bruce Nauman on. Thursday, dominated by his audic visual and sound statistions (above). Three productions of musicals

production of the Rogers-Hammerstein classic Oldehomal opens at the Olivier Theatre; 🔄 🦠 tomorrow, Steven Pimiott's production at Labatt's Apolio of Dr Doolittie, starting Phillip Scotleid (below right), with 97 enimatronics, and songs by Leslie Brieusse; and tonight Eyern, a new musical by Andrew People and Stachen Clark at the Bridewell Theatre.

Treatre Company from Chicago, led by John Maltoney, vists Landon, opening at the Barbicar Theatre on Thursday, with the British premiers of the Kauman & Hart classic The Man who Came to Dinner. Senegalese singer Saste Mani (eff) opens the Festival Fall's Serious Summer tonight. The

wide-ranging, weeklong bill

The famous Steppenwolf

includes the reformed Blues and Marisa Monte in a duo (Friday), and trumpeter Hugh Masakela celebrating Nelson

BREGENZ Brothers Band (Wednesday and The Bregenz festival opens on Thursday), Brazillans Gilberto Gil Thursday with Montemezzi's rarely performed opera L'amore del tre re. The main attraction on the floating stage this year is a Mandela's birthday on Saturday. I revival of Gotz Friedrich's



production of Porgy and Bass, conducted by Andrew Litton.

OSNABRUCK The Felix Nussbaum Museum commemorating the painter who died in the Holocaust, opens in this porth German city on Thursday, It was designed by Daniel Liebeskind, the American architect, recently commissioned to design Jewish museums for Berlin

KUHNIO

and San Francisco.

The world-renowned chambe music festival in this north Firmish town includes large doses of Heydin and Ville Lobos, Franch music from Chausson to Florent

Schmitt, and some new works by Finnish composers. The first concert is on Sunday, and the lest on August 2.

Verbier

Music takes over this Swiss Alpine resort for the next three weeks. Founded and run by impreseno Martin Engstroem, the Verbier festival is a heady cocktail of mountain air. masterclasses and highpowered chamber recitals, in which soloists of the calibre of Maxim

Vengerov, Yuri Bashmet (left) and Boris Berezovsky knock sperks off each other. The Curtis Institut provides this year's resident orchestra, and there will be tributes to Rodion Shchedrin and

A rare and intimate treat in Don Giovanni

In Aix-en-Provence, Andrew Clark finds a Peter Brook miracle

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Charles Carllen

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oracle-like, on virtually every scene in the opera, colouring his vation of people, theatre, cinema any decor there isn't any need for this experience, translate it to the All they have to fall back on stage, and still make pure, unadulterated sense of Mozart's dramma

The miracle of the Aix Don Giovanne is that Brook has done just that - to the dismay of some sections of the first night audience. They wanted a picture-book Far from cramping his style, the Seville, a sequence of outsize discipline of working to a text scenes and characters, an operatic stereotype. Brook will have none of that. His staging is simple, bare, the murder of the Commendatore, true to life. It begins and ends in the beating of Masetto, the master the music. It presents characters servant switch or the arrival of the who are very much stage animals. but whose performances cross the with such resourceful stagecraft footlights in such a way that you feel complete complicity with what is happening. With almost everything they think and feel. every turn of phrase, Brook There are no gags, no conventional solutions. The result is one of the most naturally absorbing nights in the theatre that I have witnessed.

It's a wonder Brook ever came back. He last staged Mozart 50 years ago - a Covent Garden Figaro. And it's 30 years since he dismissed grand opera as "a nightmare of vast feuds over tiny details". Since then he has confined himself to stripped-down, experimental versions of Cormen and Pelleas in his own Paris theatre. So there was an element of curiosity, almost disbelief, when it became known that the Aix festival was to be relaunched this summer with a Brook staging. Had he really capitulated? Has he re-ac-

cepted the literalness of opera? The answer must be "yes" - but on his own terms. Brook agreed only because Stephane Lissner, the man charged with reviving Aix's fortunes, guaranteed him the working conditions he enjoys at the Bouffes du Nord: young casts, long

and dedicated rehearsal, an atmosphere in which everyone can turn the work inside out and rediscover it for themselves.

In Don Giovanni, this results in a In the programme-book for Don reading of rare fluidity and inti-Giovanni at the Aix-en-Provence macy. The characters sing their festival, Peter Brook pronounces, lines front-of-stage: there's no straining, no sense that they are engaged in anything other than comments with a lifetime's obser-musical conversation. Nor is there and music. It's a performance in it. As Brook reminds us in the itself, and if you have time to read overture, played with the cast it beforehand, it makes you scepti- seated expectantly around the cal about what you're going to see stage, the drama is all in the music and hear. How can anyone distil all and the personalities it portrays. apart from Chloé Obolensky's stylish and class-conscious modern costumes - are a handful of col oured benches with detachable poles, overlooked by the 18th century stone façade of the open-air Théatre de l'Archevêché.

appears to have liberated Brook. There may be nothing literal about stone guest - but each is enacted that we identify immediately with reminds us that light heartedness in Mozart is synonymous with poignancy; and the beauty of this performance is the way each member of the cast expresses these ambivalent shades.

Nowhere is this more obviousthan the catalogue aria: the joke seems to be on Leporello, until the truth gradually, tragically crosses Elvira's face. She is no hysteric: Melanie Diener turns her into a character of considerable depth and thoughtfulness. Carmela Remigio's Anna and Lisa Larsson's Zerlina are no less sincere, but cannot match Diener's silver-plated voice

and personality. With the exception of Till Fechner's puny Masetto, the men are more evenly balanced. As a farfrom-wimpish Don Ottavio, John Mark Ainsley gives the performance of his life. Gilles Cachemaille is the definitive Leporello. Gudjon Oskarsson a marvellously concentrated Commendatore - and Peter Mattei a Giovanni of explo-



sive energy, virility and charm. Not since Ruggero Raimondi has there been a seducer who so easily combines danger and noblesse. whose smile is the flip-side of a vicious glower. Mattei acts like an over-sexed young aristocrat, using his towering physique to advantage. This Giovanni is as ravenous as he is vindictive - but that does not stop us secretly liking him. Mattet's Serenade is rapturously honeyed, his Champagne aria perfectly articulated despite being taken at a furious lick; this is a

fascinating performance. from the pit. The fact that I have withheld mention of Daniel Hard-ments but period manners, seem

mean he was anything less than an equal partner with Brook. Harding, a 22-year-old British conductor. shared the musical preparation with his mentor, Claudio Abbado; no one knew until a few days ago which of the two would preside over the opening night. In the event, doubtless encouraged by some preview performances, Harding conducted with a mixture of youthful freshness and extraordinary maturity.

nary maturity. In no way was this a "borrowed" interpretation; nor did the equally So, too, is everything we hear youthful Mahler Chamber Orchestra, playing with modern instru-

ing's contribution till now does not anything less than intimately acquainted with the music's sense and style. Within each phrase Harding whipped up a fury while uncovering the tenderness behind it: I particularly liked his con amore treatment of "Dalla sua pace", the dancing accompaniment to "Andiam" in the Giovanni/Zerlina duet, and the way he locked immediately into the tempo

> Both Brook and Harding faced a mountain of expectations in this production: the fact that they surpassed them suggests that, in a world of operatic excess, there are still old truths waiting to be discov ered.

Ragtag of the Church clergy

THEATRE

ANTONY THORNCROFT

Now that local boy David Hare has scooped a knight-hood, his state-of-the-nation plays are reckoned to be suitable for the mop heads of the Chichester Festival. Racing Demon, his strangely passionate study of the travails of the Church of England, is perhaps the best of the genre, being less dependent on statistics and more concerned with human frailties. There is also a gripping plot, which only falls apart in the final scenes. There is much of George

Bernard Shaw in Racing

zenly represent the ragtag and bobtails of the Church Established. There is the accepts defeat. woolly headed rector, the Rev Lionel Epsy (the excelthe beatific Rev "Streaky" flashes of wit and wisdom. Bacon (a charismatic Peter vative convictions keep him awake at night in a world

the social services. stage, enlivened by trains

tion of 22 self-contained : nelets, Hare probes all the inconsistencies, tensions and doubts that weigh down the Church.

Sometimes his outsider's vision seems to let him down - bishops of Southwark are traditionally liberal to the point of Marxist, and there can be few occasions when they entertain curates at the Savoy for dinner. It also seems unlikely that a bishop, faced with creating schism in the Church over the issue of accepting women as clergy, should devote so much energy to dumping an old friend from his parish.

Hare also seems to lose faith in his plot; in the great confrontational scene, when the bishop verbally defrocks Demon: the characters bra- the Rev Espy, the rector wins the battle if not the argument. Then he weakly

The ending, too, is sloppy when, in a typical flight of lent Dinsdale Landen), Hare fantasy, Rachel Joyce, whose own self-doubts make one of the three under-writhim a hopeless shepherd for ten women in the play, his inner-city flock; the born- pleads for man to find his again curate, the Rev own salvation, apparently by Tony" Ferris (Paul Ven-flying away. But much more ables, impressively de- is right; the drab clothes of ranged), whose fundamental- the clergy, the individualism ism is driving him towards of their vision of the Church, the wrong side of fanaticism; and Hare's occasional By taking a subject about

Bourke); the gay Rev Harry which most people know Henderson (Mark Kingston), little but have strong feelall presided over by the ings, Hare has created a Bishop of Southwark (Denis memorable work of drama. If Quilley, positively shaking it is shot through with conwith fervour), whose conser- tradictions, then so is the Church; if its ending is inconclusive, then so is the where the church is little Church. By going for good more than an out-station of actors rather than starry names, with both Landen On Stephen Brimson and Quilley in sparkling Lewis' bleak, adaptable, form, Chichester under new management has produced a roaring across the mean definitive production of one streets, and through Christo- of the more enduring plays pher Morahan's quick direc- of the decade.



Tortured souls: Denis Quilley (left) and Dinadele Landen Alastair Muir

INTERNATIONAL

Guide

ATLANTA

EXHIBITION High Museum of Art Tel: 1-404-733 4444 Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal training; from Jul 14 to Sep 20

BUDAPEST **EXHIBITIONS** Hungarian National Gallery, Buda Castie

Tel: 36-1-375 7533 Jozsef Rippi-Ronal: retrospective of the Hungarian post-impressionist, comprising 250 works. Includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; to Sep 6, then transferring to Saint-Germain-en-Laye near Paris

Museum of Applied Arts Tel: 36-1-217 5222 Zeolnay: Art Nouveau Ceremics. Display of 200 objects made between 1897 and 1918 at the

family-owned Zsolnay factory in Pécs, includes gobiets, vases and other objects. The museum itself, opened in 1896, is itself decorated with Zsolnay pyrogranite; to

COPENHAGEN EXHIBITION Louisiana Museum of Modern

Art, Humleback Tel: 45-4919 0719 www.touisiana.dk Louisiana at 40: The Collection Today. Anniversary exhibition of the permanent collection, designed to showcase 40 years of work. Highlights include works by Giacometti; to Aug 30

EDINBURGH

EXHIBITIONS National Gallery of Scotland Tel: 44-131-624 6200 Effigies and Ecstasies: Roman Baroque Sculpture and Design In the Age of Bernini. The National Gallery's major festival exhibition for 1998 is a celebration of the outstanding artist of the Italian beroque, Gianlorenzo Bemini, on the fourth centenary of his birth; to Sep 20

Scottish National Portrait Gallery Tel: 44-131-624 6200 Robin Gillanders: Little Sparta. Photographs of the painter lan Hamilton Findley's garden at Dunsyre in the Pentiand Hills. Gillanders has been working there since 1993, and the display includes a range of collaborative works - posters, prints and postcards; from Jul 17 to Nov 29

The Winter Queen: The Life of Elizabeth of Bohemia, includes. around 50 paintings, plus a selection of engravings and medals; to Oct 4

GLIMMERGLASS Alice Busch Opera Theater.

Cooperatown Tel: 1-607-547 2255 The Mother of Us All: by Virgil Thomson, Conducted by Stewart Robertson in a new staging by Christopher Alden, with sets by Allen Moyer, Jul 18

GLYNDEBOURNE

OPERA Glyndebourne Festival Opera Tel: 44-1273-815 000 Rodelinda: by Handel, New production directed by Jean-Marie Villégier, with sets by Nicolas de Lajartre and Pascale Cazales. With the Orchestra of the Age of Enlightenment conducted by William Christie; Jul 14

GRAZ. DANCE

Doernhaus Tel: 43-316-80080 Kirov Ballet in a three-week season. Performances include The Sleeping Beauty (Jul 13), Swan Lake (Jul 14, 16), a Fokine evening (Jul 17) and La Bayadère (Jul 18)

KRAKOW EXHIBITION

Ecole de Paris - Jewish Palnters from Poland: pictures from Wojciech Fibak's collection, produced by painters working in Paris in the first half of this century; to Aug 30

LONDON CONCERTS Berbican Hali

Tel: 44-171-638 8891 Carmen: by Bizet. Sir Colin Davis conducts the London Symphony Orchestra in a concert performance, with soloists including Olga Borodina and José Cura: Jul 15, 17

EXHIBITION **Barbiçan Art Gallery**

Tel: 44-171-638 8891 The Warhol Look/Glamour Style Fashlor: includes screen prints, films, reconstructed window displays, photographs, illustrations and clothing, mainly drawn from the Warhol Museum and offering Insights into Warhol's work in this area and the New York scene of the period; to Aug 16

MADRID EXHIBITION

Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-467 5062 Federico García Lorca (1898-1936): centenary celebration of the Spanish poet Includes biographical material and examples of the different forms in which Lorca worked - including theatre, music and the visual arts - with friends and collaborators including Falls, Dell and Bunuel: to

Sep 21

MILAN OPERA Teatro alla Scala Tel: 39-02-88791 www.lescala.milano,it Lucrezia Borgla: by Donizetti. Conducted by Giankrigi Gelmetti in a staging by Hugo De Ana. Casts vary; look out for Renée Fleming; Jul 13, 14, 16, 18

MUNICH CONCERTS Philharmonie Gasteid

Tel: 49-89-5481 8181 Munich Philhermonic Orchestra: conducted by Jun Marki in works by Brahms, Mahler and Schoenberg, With soloist Barbara Hendricks; Jul 13, 14, 15, 16

PARIS OPERA Opéra National de Paris, Opéra

Tel: 39-1-4473 1300 La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conion. Cast includes Remon Vargas; Jul 13

SAN FRANCISCO CONCERTS

Davies Symphony Hall Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony Orchestra: conducted by Gerard Schwarz in a programme of French works including Sarasate's Carmen Fantasy and Chabrier's España.

With violin soloist Elmar Oliveira;

SANTA FE OPERA Santa Fe Opera Tel: 1-505-986 5900 www.santafeopera.org Bestrice and Benedict: by Berlioz, New production directed by Tim Albery and designed by Jennifer Tipton, Susan Graham will sing the role of Beatrice, with Elizabeth Futral as Hero. The conductor is Edo do Waart,

 The Magic Fluts: by Mozart. New production by Jonathan Miller, with sets by Roni Toren and costumes by Judy Levin, Cast includes Sheri Greenzwald; Jul 15

STUTTGART

Staatsoper Stuttgart Tel: 49-711-202090 Tosca: by Puccini. New production by Willy Decker, conducted by Lother Zagrosek with designs by Wolfgang Gussmann;

THE HAGUE **EXHIBITIONS**

Lange Voorhout Tel: 31-70-364 5784 The Hague Sculpture 98; outdoor exhibition of more than 50 works by sculptors including Rodin, Maillol, Calder, Moore, Bourgeois and Tinguely. A modern sculpture show at Het Paleis Museum is showing at the same time; to

Jul 14

VERONA OPERA Arena di Verona Tel: 39-045-800 5151

www.arena.it Tosca: by Puccini. New production by Gluliano Montaido. with sets by Luciano Picceri. Cast includes Ruggero Raimondi and the conductor is Angelo Campori; 18 إيال

Un Ballo in Maschera: by Verdi. New production by Giuliano Montaido with sets by Luciano Ricceri. Conducted by Daniel Oren;

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 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

nly seven weeks into his term. Indonesia's new president. B.J. Habibie, has earned a nickname that is both a compliment and a curse: Mikhail Gorbachev

While it took the former Soviet president years to loosen the grip of the Communist party on the press and opposition, Mr Habibie took only days to free nolitical prisoners, allow workers to form unions and offer limited autonomy to proponents of independence for East Timor. He has also set the timetable for what he promises will be democratic elec-

"We're going to change." he says. "Nice eh?" This Indonesian version of

glasnost has won Mr Habibie much more acceptance than most Indonesians and foreign observers had expected of a man they used to dismiss as a nutty professor and a lackey of former president Suharto.
"If Habible really shows a

break with Suharto, be can become a good president." says Hakim Hatta, a student activist who joined the protests that brought down Mr many to reject Mr Habibie at first. "We don't support him but we accept him. There is no one else.

Mr Habibie won a clear political victory over the no guarantee he would have weekend when Golkar the ruling party set up and run by Mr Suharto to dominate parliament, voted in his protege as chairman.

To some extent, his complete disregard of protocol and fondness for cracking jokes have come as a breath of fresh air after the aloof and rather dull rule of Mr Suharto. "I am not a king," he says, priding himself on visiting parliament rather than summoning its speaker to the palace as Mr Suharto just your neighbour.

Mr Habibie's biggest fans have been the international release a \$1bn tranche of meet the same fate as Gorbacredits for Indonesia on Wednesday, and the World That is something even his Bank, which released \$1bn fans are afraid of too. "Gorbearlier this month. The US has given a more cautious nod of approval but Japan, Germany and other countries have sung his praise.

Mr Habibie also won vital, if guarded, support from the military. "The most ready

Indonesia's Gorbachev

Sander Thoenes examines President Habibie's decision to give political reform priority over economic change



government to restore our economy is the Habibie government," said Lt Gen Susilo Bambang Yudhoyono, chief of socio-political affairs in the military. "If someone else were president, there is support from all the people either. Our economy cannot

Even those who publicly oppose him admit quietly they can live with him. "Let's give him a chance," says Subagio Anam, a prominent businessman turned politician

Mr Subagio, though a strong supporter of opposition leader Megawati Sukarnoputri - who has refused to accept Mr Habibie as president - even paid the compliment of comparing Mr Habibie to Mr Gorbachev. "There is a similarity," he says. "He has made dramatic changes Monetary Fund, due to in political life. But he may

> achev failed with perestroika," says Umar Juoro, an economist close to Mr Habibie's camp. "In the Soviet Union, political reforms failed because people could

That may hold true for

Indonesia too. Other than

the collapse of the Soviet

Union, no economic down-

turn since the second world

war comes close to that of

Indonesia. Gross domestic

product declined by 12.2 per

cent in the first six months

of this year, plunging 40 per

cent of the country's 200m people into poverty. In a few remote parts of the archipelago there has been famine but millions more are malnourished because they cannot afford the food that is on the

Mr Habibie has done very little about any of this, other than make the extraordinary suggestion that Indonesians follow his example of fasting two days a week.

His cabinet is divided between populists and technocrats, and neither are used to reaching compromises because Mr Suharto used to make all the decisions for them. The rupiah has continued to lose value against the dollar despite the rush of pledges of financial support for Mr Habibie's government, and the economy is showing increasing strains.

Some of Mr Habibie's reforms, of labour law for than glasnost to get to the example, may increase social finish

tension rather than dissipate it because these new labour activists will face employers who cannot afford to raise

"He has made a good score in the political arena," says Umar Juoro, an economist at a think-tank close to Mr Habibie. "But he has not yet

scored in the economy." Mr Habibie says he is aware of that. "The majority of people don't care (who is president]," he says. "They care only for their rice

bowl. Mr Habibie has not gained much support or even acceptance from the country's Chinese minority, who control more than two-thirds of the economy. Many Chinese shop owners, traders and husiness executives have either hunkered down or fled the country after rioters destroyed many of their businesses while gangs raped their wives and children during anti-Suharto riots in May.

Mr Habibie, openly critical of the Chinese in the past, has promised not to discriminate but stacked his cabinet with four ministers known to be anti-Chinese. But he says he will invite Chinese to join a new independent committee to investigate the riots and rape, as well as the killing and kidnapping of activists and student protest-

Like Mr Gorbachev, Mr Habibie insists he made the right decision to focus on political reforms first, while continuing to implement the economic reforms agreed between the IMF and his predecessor. Using two business cards and a canister of coffee sweeteners on his desk to illustrate his point, he argued that economic reforms under Mr Suharto had far outpaced political reforms but could not proceed alone, as investors wanted political stability as well as economic reforms.

"I made a racecar with this political vehicle and pulled it and pushed it." he says, pushing one business card past another. "That all happened within 30 days. Unfortunately I cannot do more [that soon]."

But the coffee sweetener. symbolising the finish of the race between political and economic reforms, was still at the other end of the desk. Mr Habibie will need more

LETTERS TO THE EDITOR

Significant gap in French business education

From Mr David Harrison. Sir. Further to Andrew Jack's article "A degree of equality" (July 6), I fear that he has missed the essential

point about comparing the Ecole des Hautes Etudes de Commerce (HEC) and the Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC) with business education in countries such as the US or the UK. It acquired even the theoretical is true that students leave these establishments lacking work experience but a more substantial criticism must be that relating to lack of proof of the student having assimi-

It is possible for a student to go through the two- or threeyear syllabus without proving that he or she has

All of the emphasis of the

French system is on qualify-

ing to enter the school via

the preparation classes;

there is no valid examina-

tion on finishing the course.

knowledge of business. It is basically very difficult to not be allowed to complete the course if academic levels which should be

lated what the instructors then makes great play on is the fact that he or she has Anglo-Saxon countries. "done" HEC or an Essec when looking for a job, and a salary which experience does not merit.

Incidentally, given the lack of exit examinations, I find myself at a loss to understand why AACSB, the US trade association for business schools, recently I do not add FCA after my accepted that Essec's programme enabled it to have their presumably valued label awarded. There is also a growing tendency to add the relevant letters after Favieres, attained are not. The student names on business cards as France

the practice in As a chartered accountant whose initial qualification was obtained only after hard work sanctioned by two examinations, who has had extensive experience of new "graduates" of these French schools, this particular practice tends to irritate me.

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David Harrison. 14 ruelle de l'Hotel Dieu 91910 St. Sulpice de

No turning a blind eve

From Ms Louise Arbour. Sir, In his review of Richard Holbrooke's book To End a War (Book review: "The search for peace", July 2), Carl Bildt comments that "it remains one of the enduring mysteries that the International Criminal Tribunal in The Hague has turned a blind eye to [ethnic cleansing by the Croat army dur-

ing August and September I wish to point out that there is no basis upon which Mr Bildt can conclude that the tribunal has turned a blind eye to that or any other alleged criminal inci-dent within its mandate. The Prosecutor does not reveal either the existence or progress of our investigations Furthermore, all indictments presented for confirmation since the fall of 1996 have been the subject of non-disclosure orders.

Louise Arbour. Prosecutor. International Criminal Tribunal for the former Yugoslavia. Churchillplein 1, 2517 JW The Hague, The Netherlands

Ukraine policy was merely reconfirmed

Prom Mr Volodymi

Vassulenko. Sir, Commenting on positive remarks of Boris Tarasyuk, new Ukraine's foreign minister, relating to Nato enlargement, Charles Clover ("Moscow rebukes Kiev over praise for Nato", July 9) qualified these remarks as a "subtle shift in Ukraine's foreign policy", which caused the Russian parliament's refusal to consider ratifying the friendship

treaty with Ukraine. In fact, the remarks just reconfirmed that the strategic course of Ukraine toward integration with European and Euro-Atlantic structures remains unchanged. This course was established and consistently pursued by Ukraine since the early political changes which took London W11 3SJ, UK

days of its independence. The Russian parliament's delay in ratification of the Ukrainian-Russian treaty had started long before Mr Tarasyuk was appointed as

The Russian parliament's

attitude toward ratification of the treaty is rooted in the position of many Russian parliamentarians and politicians who still consider Ukraine to be part of Russia and dream of re-absorbing it. Ukraine's active participation in the construction of Europe, including co-opera-

new security architecture in tion with Nato, the EU, and Organisation for Security and Co-operation in Europe, strengthens our state's independence and makes the geo-

place after the collapse of the USSR irreversible.

Ukraine has never refused to ratify economic agree ment with Russia, as Charles Clover writes. This agreement was signed on the eve Ukraine's foreign minister. of elections to Verkhovna Rada (the Ukrainian parlia ment). The new parliament simply has not yet put it on the agenda. There is no doubt about its ratification, because Ukraine is making the utmost efforts to develop friendly, co-operative relations with Russia, consider ing it as beneficial for both

> Volodymyr Vassylenko, Embassy of Ukraine,

Chasing their tails with economic policy

Hartley-Brewer. Sir, Michael Henson the RPI-X, the change was (Letters, July 7) asked 0.4 percentage points and, whether anybody could quantify the inflationary effects of indirect taxation and interest rate rises. Between March and April this year the UK retail price index rose sharply from 3.5 per cent to 4 per cent. How-

ment rises factored out in are chasing their own tails with both these and indirect taxation factored out in the RPI-Y, the change was a tiny 0.1 percentage points.

Even without considering

direct taxation, these figures surely confirm his argument

Stephen ever, with mortgage repay- monetary policy committee by raising rates and indirect taxes to damp inflation.

> Stephen Hartley-Brewer. The Economics Society. The Haberdashers' Aske's Butterfly Lane,

Elstree, Borehamwood Hertfordshire WD6 3AF, UK that the government and

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers worldwide. Letters may be laxed to +44 171-873 5938 (set fax to fine), e.meit.

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ECONOMICS NOTEBOOK PETER NORMAN

Germany's shaky recovery

The manufacturing sector is looking more

healthy but retailers are still struggling

nyone harbouring doubts about whether Germany is in a state of economic recovery should rest easier now that the main political parties have started squabbling about who is responsible for the upswing.

Following last week's news of June's sharp 122,300 drop in unadjusted "headline" unemployment, Ger-hard Schröder, the chancellor candidate for the opposition Social Democrat party, revised the SPD's hitherto cautious appraisal of the business cycle. He embraced the upswing. declaring it was "his" because it reflected hopes of a change of government after the September 27 gen-

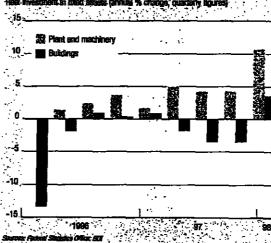
Mr Schröder's remarks sparked a rare display of unity among the parties of Chancellor Helmut Kohl's governing coalition. They vilified the SPD candidate and claimed the recovery rewarded the government's programme of unpopular economic reforms.

All good knockabout stuff. There is, bowever, a serious side to the political spat. It is becoming increasingly difficult to separate spin from statistics in Germany.

The problem is exacerbated by a surprisingly ungermanic sloppiness in dealing with economic indicators. In spite of a Bundesbank drive to increase the season and calendar, the public debate almost always focuses on unadjusted data. The result is that it is often really going on in the German economy.

Recently, for example, enabled Otto Hauser, the by the Munich-based Ifo eco-Bonn government spokesman, claimed without challenge that year-on-year average trend would congrowth in the first quarter was 3.8 per cent, the best since unification in 1990. The Bundesbank figures, adjusted for the number of working days as well as seasonal factors, put growth at a more modest 3 per cent. It is also likely that first quarter growth was artificially boosted by an unusu-

Real investment in fixed assets (annual % change, quadanty figures)



value added tax to 16 per cent. Mr Hauser could therefore find that second quarter growth figures fit less well with the government's election campaign if he uses the same series of gross domestic product figures when the next quarterly statistics are announced in two months.

All the same, it is clear that economic growth in Germany is clearly becoming more broadly based. Last year's export-led growth pushed up capacity utilisation in west German industry to levels last seen in the 1990 unification boom. This has stimulated investment availability statistics and contributed to a drop of adjusted for differences of about 250,000 in seasonally adjusted unemployment over the past six months.

As the chart shows, real investment in fixed assets difficult to know what is grew nearly three times faster than the whole economy in the first quarter. A survey of western German industry nomic research institute last week suggested the abovetinue through 1998, with companies spending more on capacity expansion than at any time since 1991.

Ifo forecasts that manufacturers in western Germany would increase their investinvestment growth by German business as a whole ally mild winter and pur- were slightly less upbeat at 8 chases ahead of April's one per cent in 1998 and 7 per

The recovery in investment has been encouraged by moderate wage increases and greater flexibility in setting pay at a local level. According to this month's survey of German purchasing managers prepared by NTC Research of the UK, manufacturing employment has risen for 11 consecutive months. The German federation of industry (BDI) last week singled out the auto. electrical engineering and machine building industries as sectors planning to hire more labour this year.

ut move from the factory floor to the high street, however, and the picture is still one of gloom. Official figures last week showed retail turnover stagnated in the first five months of this year in both real and nominal terms compared with the same period of 1997. March was the only month in which sales rose year-on-year as shoppers acted to beat the April 1 value added tax rise. According to Lovro Man-

dac, head of the Kaufhof department store group and president of BAG, a trade group representing 4,000 medium and large retailers, ments by a real 9 per cent 1998 is likely to be the sixth this year. Its projections of successive year in which Germany's retailers suffer a real decline in sales. He forecast that it would be midthe election, before the

recovery had a positive impact on the retail trade. In short, the German economy is rather like Britain's. where manufacturing is weak and the service sector is strong.

Retail trends cast an unfavourable light on Germany's current low annual inflation rate of 1.2 per cent. While Mr Kohl has been trumpeting price stability as one of the economic achievements of his government, retailers complain that it reflects weak demand and brutal competitive conditions that are squeezing their margins. BAG last week reported

that retailers' purchasing prices had risen by about 2 per cent while their selling prices had increased by only 0.8 per cent.

Behind such statistics lies a fall in purchasing power for many consumers and a widespread belief that the economy is still in dire straits. And for many people it is. Among the statistics the government chose not to emphasise last week was that for long term unemployment. While June's unadjusted jobless total of 4.08m was 147,000 below the June 1997 level, the number out of work for a year or more had risen by 115,000 to

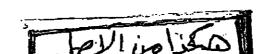
1.55m in the same period. The jobless figures were a reminder of the serious structural problems that Germany must overcome before it can claim to have a

healthy economy. Highlighting a skills mismatch, Jürgen Rüttgers, the education and technology minister, last week reported that Germany's software sector could have employed 50,000 more people last year but they were simply not available.

In presenting the 1999 draft federal budget, Theo Waigel, the finance minister. touched on two other grave problems. Germany's ageing society and the weaknesses of its pay-as-you-go pension system mean that nearly DM110bn (\$60bn), will be spent in subsidising pensions next year.

in addition, an unchanged DM95bn of federal transfers will flow to the new Länder to offset the continuing gap in economic performance between west and east in November, six weeks after Germany's ninth year as a united nation.





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FINANCIAL TIMES Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday July 13 1998

Firm no to Hashimoto

Yesterday's upper house judged. The Ministry of Finance must share the blame for a pre-their first proper opportunity to must share the blame for a pre-their first proper opportunity to must share the blame for a pre-their first proper opportunity to must share the blame for a pre-their first proper opportunity to must share the blame for a pre-their first proper opportunity to the blame for a pre-their first proper opportunity to must share the blame for a pre-their first proper opportunity to the blame for a pre-their first pr pass judgment on the leader- year. But when Mr Hashimoto pass juggment on the leaver-ship of prime minister Ryutaro shaped the folly of this move, he offered refla-tionary measures that were both timid and poorly pres-The humiliation of the ruling ented.

Liberal Democratic party was What is now needed in Japan on a scale that must make Mr is a clear commitment to fiscal Hashimoto's early departure and monetary expansion in inevitable. The more difficult order to provide leeway for

defeat. Rising unemployment, a Mr Hashimoto's prevarication a record level of bankruptcies and week before the election over growing insecurity were a clas-sic recipe for disaffection in a reform did or did not mean tax country where confidence in cuts may well have been the the policymaking elite has long last straw for the electorate.

The importance of this setback for the LDP should not be Japan's high number of uncom-exaggerated. The upper house mitted voters would protest by has only limited powers to staying at home or by voting block legislation and the LDP for one of the numerous opposition parties. In the event they chose to make an active protest. Whoever replaces Mr Hashi-The LDP's share of the vote fell moto has been given a mandate

It is easy now to forget that Mr Hashimoto pursued bolder cessors in a divided LDP looks policies than most of his predecessors. But the no-confidence reactive style of crisis managevote was still richly deserved. ment that has prevailed since To have pinned his colours to the bursting of Japan's ecothe mast of fiscal orthodoxy nomic bubble. The voters have when Japan's biggest economic sent the right signal. But that is problem was one of deficient no guarantee of the right out-demand was singularly illi-come.

without it, there is none.

Russia's foreign exchange

world at large. It would. The

devaluation would almost cer-

tion would soar, and the gov-

would be more democratic and

pro-reform are zero. Far more

question is whether it will make much difference.

It does not require powers of divination to explain the LDP's not require powers of the author of Japan's Fiscal Reform Law to deliver this. And

from 61 out of the 126 seats to pursue radical measures to being contested to just 44. address Japan's problems.

Yet mone of the obvious suc-

package capable of giving the

needed breathing space. The

tary Fund and the World Bank,

but also from governments and

preferred to the certainty of

failure. The answer is obvious.

have become interdependent. "The reality is that every coun try has an interest in the economic policies of all other countries. It's different from how it used to be 10 or 20 years ago. [Governments'] behaviour can Aiding Russia very substantially affect the rest of the world. That creates another type of responsibility, not only to their own citizens but Russia needs enough outside government consists of the to the citizens of the world." help to ease the financial panic most single-minded and deter-

Mr Rubin's conclusions are not abstract musings on the nature of the global economy. They are directed above all at Japan which Mr Rubin now believes, more emphatically than ever, holds the and indeed much of the world's financial problems.

under pressure. From his vantage point as US Treasury secretary,

he has seen Asia's financial

slump broaden to erivelop other

emerging markets, including

South Africa. He has spent the

past week getting to grips with bold recovery plans in Russia

and Japan. The aid programme

for Russia is in readiness but

The stunning electoral reversal for the ruling Liberal Democratic

party in Japan has plunged the

country's politics into deep

uncertainty - and cast a shadow over the government's chances of

pushing through changes that Mr

Rubin has deemed essential for Japan and Asia.

no longer whether there will be a US slowdown but how big the

impact of the Asian crisis might be. It has also thrown up a funda-mental challenge to Washing-

ton's approach to international

economic policy that Mr Rubin has championed in his five years as US Treasury secretary. If this were not enough, financial mar-

kets have been reacting to

rumours that Mr Rubin may be

about to quit his Treasury post. But, in an interview given after

his week-long trip to Asia (but

before the scale of the LDP's

reversals became apparent), the former investment banker main-tains his celebrated trader's cool,

and gives no hint that his tenure

may be about to come to an end.

He has just surveyed the dam-

age first hand on a trip to Asia.

and is eager to drive home what he sees as one of the great les-sons of the crisis - that global-

ised financial markets have created a new world order in which

governments, not just markets,

All this is beginning to slow US economic growth: the question is

reform in Japan is in doubt.

ability and willingness of the Japanese government to respond has by the Liberal Democratic party in Tokyo: Ryutaro Hashimoto, the Japanese prime minister who may have to cancel a visit to Washington later this month.

"Talking to governments that are very seriously pursuing difficult policies, talking to business people in the area, you get a strong sense of just how central Japan is to their well-being and track and taking the kind of measures needed," he says.

Mr Rubin says the surprise decision by the US to support the tive in harrying the Japanese government. He says the intervention was part of a programme of measures that included com-

You've laid out your beach towel,

when Helmut Kohl blocks out the

It's a fate which, any day now,

Germany's northern coasts. That's

because it's election year and the

German chancellor has decided to

Kohi is targetting the North Sea

and offshore islands, the Baltic

coast and the upmarket Island of

Sylt. Each sortie - the first is this

sunseekers have been warned.

Elsewhere, the chancellor's

an effort to win over discruntied

voters in the former communist

campaign is already in trouble. In

east, the Christian Democrats have

launched the Neue Bundesländer

lijustrierte, a magazine published,

camp and, unsurprisingly, praising

economic recovery in the troubled

The magazine's appeal, the CDU

claims, lies in its uncanny similarity

to the Neue Berliner Bustrierte, a

popular magazine in the old east

title are owned by a Munich

Germany. But the rights to the NBI

publisher and the party was forced

written and paid for by the Kohl-

their leader's efforts to help

week - will be on Wednesdays, so

interrupt his Austrian summer

holiday with flying visits to the

could befail hapless tourists on

rubbed in the suntan lotion and started day-dreaming about a

functitime beer and sausage -

sun and asks for your vote.

Soaking up

the voters

The US Treasury secretary tells Gerard Baker and Stephen Fidler that every country is dependent on every other and with that goes responsibility

FT INTERVIEW ROBERT RUBIN

US eyes the Asian storm

mitments from the Japanese and of things happen and not that currency. In his conversations statements of support from the there be some kind of equivoca- with senior Chinese officials durkey to the resolution of Asia's US that were intended to get the tion that doesn't accomplish the ing Mr Clinton's visit. China that would cover this shortfall is Japanese to act. "If you look at the whole pro

we wanted, which was to get a focus on Japan – the imperative been thrown into further confu- for Japan to do what it needs to sion by the heavy defeat suffered do to get its economy back on track, particularly ... with the in yesterday's Upper House elec- problems in its banking sector." tions. This has cast into grave He echoes remarks by his dep-doubt the political future of uty. Lawrence Summers, last Washington's main interlocutor month that the intervention gave Japan a "window of opportunity but says that window will not be open for ever. "What we have is a period during which the world

and the markets are waiting for

Japan to act." The penalties of

not acting promptly are severe, he adds. The outline of banking reforms announced by Mr Hashimoto earjust how concerned they are lier this month was a step in the about Japan getting back on right direction, he says, but the US administration wants to see how the proposed new "bridge bank" will work. The bank's main task will be to close down yen three weeks ago, was effectinsolvent institutions aggres-

sively - a very welcome move, says Mr Rubin. But that will not be enough on its own.

large numbers of them," he says Mr Rubin says the US intervention to prop up the yen was not, contrary to reports, motivated by Chinese concern before president Bill Clinton's recent visit to

You get a strong sense of just how central Japan is to [governments'] well-being'

China. "We were very much influenced by the impact on Japanese economic conditions and also the decline of the yen on the region, but not affected by anything the Chinese said or did."

Nonetheless, China was and is making an important contribution to regional stability by *something in here (HP) * "The key is that all these kinds its decision not to devalue its

OBSERVER

would maintain the exchange

China's growing role in the they were very infrequent communications between this Treasury department and China. least once a week and probably in many weeks more than that." Mr Rubin's Treasury has, with the International Monetary Fund, been the main outside body intervening in Asia's financial crisis – and has been the subject of a growing chorus of criticism from inside and outside the region. Although he has been accused of taking a dogmatic approach, Mr Rubin's response to this criticism is not dogmatic.

You have an unprecedented situation. You have a large number of countries with some difficulties - difficulties that inter-

Japan, the second largest economy in the world, not doing well and now actually in recession. You have all this in the context of true global financial markets that you didn't have 10 to 15 years ago and at a time when there have been vast flows of investment and credit into the developing world."

"My view is that there are no sure answers in that context," he says. There had to be an "extremely pragmatic" case by case approach. That would involve "seeing in each country where its problems lay and deal-ing with those problems in a way that was designed to re-establish confidence, recognising that was not going to happen quickly."
"That's basically what the IMF

has been doing. I think they have done a good job in the context." Mr Rubin, a former partner at Goldman Sachs, has also been accused of being part of what Jagdish Bhagwati, an economics professor at Columbia University, has described as the "Treasury-Wall Street complex". According to Mr Bhagwati, this has foisted on the IMF and on the world the mistaken idea that opening econ omies to free flows of capital is invariably a good thing.

But Mr Rubin says: "My views have not changed. I think open ing capital markets is good." Controls on flows of capital were too often advocated as the answer to problems that could only be addressed by significant structural and macroeconomic reforms, he says.

He also defends raising interest rates as one response to a currency crisis. By not raising rates, "you run a risk of a serious fur-ther depreciation of your cur-rency," he says.

Mr Rubin was interviewed in

his Treasury office after a meeting in the White House on Russia, which is in difficult discussions to secure an IMF-led credit package of at least \$10bn-\$15bn to stave off a financial crisis.

But Mr Rubin wishes to be circumspect: "The world has an enormous interest in seeing Russia succeed economically. And we are very focused on that."

One commonly cited concern, shared by Mr Rubin, is that with the crises in Asia and more money being demanded by Russia, the IMF is running out of resources to help.

But an increase in IMF funding purpose of shutting down the bad showed a strong commitment "to currently stuck in the US House banks and getting the bad loans their judgment that maintaining of Representatives. Mr Yet even since he spoke, the gramme, it accomplished what off the books of banks that have the renminhi was in their inter- Rubin says he has tried ests. That carried more weight numerous permutations over the than simply suggesting they past six months to secure Congressional support for IMF fund-

Still, if international financial world economy was reflected in turmoil is bringing new chalthe increasing exchanges lenges, on the domestic American between US and Chinese officials. economy at least, Mr Rubin "For example three years ago, remains sanguine. The US has enjoyed two years in which the trend rate. Without a slowdown Today our people e-mail or call at soon, some economists believe, wages and prices are certain to

> But Mr Rubin is quick to point out that, in spite of repeated warnings, inflation remains dormant. Though he also dismisses talk of deflation, he says business people he meets continue to talk prices in competitive markets.

"There is an almost universal view across business that they can't do much with prices...I cannot remember hearing a business person say to me that they though there was a real risk of a resurgence of inflation."

Magic feet

now threatening it. It should be mined group of reformers to given not because Boris Yeltsin is a convinced reformer, nor because his new government is depend on events outside its

bound to keep its promises. control But it might make sub-

Russia should be supported stantial progress, provided it

reserves are far too small to assistance should be large

hold the rouble exchange rate, enough to be convincing. It

against the dollar. These doubts needs to stabilise the rouble

are pushing domestic interest and finance the budget. A large

rates to unsustainably high lev- amount needs to be added at

els. Since investors know that once to the reserves. In addiwhat is unsustainable cannot tion, budgetary support should

last, the result of their caution be provided in tranches, confin-

makes them still more cautious. gent on performance. The total

The end must be a devaluation. package should be \$20bn, to be

follows would matter to the from the International Mone-

tainly be uncontrollable; infla-tion would sour; and the gov-The only question for the out-

ernment would fall. The side world to answer is whether

chances that its replacement a chance of success is to be

likely is a regime of protection. IMF technocrats now in

ists dirigistes and renophobes. Moscow should be asked to

less if there were no hope of conditions. But it is the job of

success. Fortunately, Russia's the world's political leaders to plight is not that bad. Russia make the decision on whether

may not have achieved as much to lend. They should give the

as optimists hoped, but it has new government the breathing

come far further than pessi- space it needs. There is simply

mists think. Moreover, the new no sensible alternative.

Even so, help would be point frame a sensible list of policy

The question is whether what convincing, and come not just

because, with assistance, there survives the next few months.

globalisation poses a threat to long been a financial no-go area national identity. Yet for the past will recognise the argument iew weeks the World Cup has allowed soccer fans to express extremes of nationalistic sentiment in a contest where the rules are global and the most valuable players operate on a transna-

Like big corporations, soccer clubs buy assets from all round the world; top players sell their America and eastern Europe.) human capital wherever it is most remunerative. The practical upshot is that Europe's best clubs attract something not forces of globalisation and to pull unlike a specialised form of full-throated nationalism out of inward investment. How do we the box into which it has been explain the co-existence of raging nationalism on World Cup terraces with a market in which immigrant labour is welcomed by

the masses? globalisation has led to an increase in the returns to skilled labour. And this labour is very highly skilled. Like opera's top tenors, soccer's most talented players work in a world where dramatic function to the pantothe rewards are highly polarised. A perfectly honed set of vocal chords or a pair of feet with a

portionate approval. This leads to inequality; and some argue that television-in- opportunity to delight in the duced commercialisation of soccer loads the dice against poorer There are worse ways to indulge fans. Opera butis for whom a sense of national identity.

It is a commonplace that Britain's Royal Opera House has

Yet by the same token the price signals in the global market place provide a huge incentive to people in poorer countries quite literally to pull themselves up by the bootstraps. (Intriguingly, players from Africa and Asia have responded to these signals much later than those from Latin

Agamst that background the World Cup provides a splendid opportunity to shake a fist at the stuffed by the profit motive. But this is far from being a continuation of diplomacy by other

Give or take some thuggery at An economist might argue that the margin; the performances in the present World Cup have been sufficiently inspirational to produce emotions that border on cathersis. For the fans, the referees and coaches fulfil a similar mme villain

A dour Scottish soccer manager once remarked that the game was not just a matter of life magical propensity to propel a game was not just a matter of life and death; it was more serious than that. The past month has offered a relatively civilised world's most popular sport.

out of court settlement. The opposition Social Democratis are overloyed, not least because the CDU gave the print contract to a company in Dresden - in which the SPD has a 40 per cent stake.

Snubbed out

Here's a test of diplomatic protocol. Should Serblen ... uttra-nationalist and one-time paramilitary Vojislav Seselj, now the country's deputy prime minister, be invited to sip champagne at Belgrade's annual round of embassy garden parties? Greece invited him to its national day bash, the day after he entered mment, explaining: "He's not en indicted war ortminal." Italy seems to agree; Sessij's towering floure was seen bobbing above the throng in the Italian embessy's

palatial grounds.
But two snubs followed. Britain didn't invite him to the Queen's Birthday besh; neither did he get a look-in at the US embassy on July 4. With opinion still divided about whether to punish or woo the Serbs following their crackdown in Kosovo, all eyes are now on the French ahead of their Bestille Day party tomorrow. A Gallic diplomat is the soul of discretion: "We think it is not too polite to say who is a guest and who is not."

Bank on it Think again, if you believed the whole point of bringing in Emu was to stop the presses and seek an to get rid of the Bundesbank.

Disposing of Bundesbankers is going to prove much harder. For even if the nations joining in the European single currency are supposed to be equals, some appear more equal than others. Ask Hans Tietmeyer, Bundesbank president, who rarely misses the chance to remind people he's the

biggest shareholder in the

European Central Bank. Apart from seeing their favoured candidate Wim Dulsenberg installed at the top of the ECB, the Germans have also landed other influential jobs inside the organisation. Otmar Issing is chief sconomist and joins Duisenberg as one of only two directors appointed to a full, eight-year term. Unlike Duisenberg, however, issing doesn't have to retire early. At director-general level, foreign affairs has cone to Bernd Goos. who used to head the Bundesbank's foreign relations department. And just to ensure the

ECB even looks like the Bundesbank, it's appointed Manired Körber to run public affairs. He's from the Bundesbank

Czech mates

their heads over the power-sharing deal reached between arch rivals Vaciav Klaus and Milos Zeman. The termer and future premiers have built their careers on being nasty to each other but now they're acting like old buddles. Opponents ever since Klaus

Czech voters must be scratching

were both economists at the Academy of Sciences, their rivalry despense after the fall of communism; Klaus rose to be prime minister, leaving Zeman to skutik in opposition. During last month's election campaign, Klaus warned darkly of a return to socialism while Zeman talked of the scorched earth left by his opponent's centre-right

Now it's all smiles. Klaus says Zeman is the only opponent he respects while Zeman says if Klaus wins the next election he might allow him to lead a minority government. Both men are discussing reducing the powers of President Vaclay Havel, who's hardly overjoyed. Perhaps the former writer of absurdist plays. should reflect that the parties are only following his advice to be less partisan and more co-operative.

Switched on

Rupert Murdoch's former butter Philip Townsend has been telling the British magazine Punch all about his dog days with the Digger. Apparently Murdoch's London

penthouse was once a setting for high drama when a suspect package arrived for his boss. The erea was cordoned off and a lead-lined bomb disposal expert moved in to remove the suspect package. It was blown up in the nearby park - to reveal a new remote control for Murdoch's very

Ginancial Time 100 years ago

Dummy Guns Defend Cuba

General Shafter's Headquarters, 12th July, Fighting has continued throughout the day. and at the moment it is believed Santiago de Cuba will be taken within 24 hours. The Americans have advanced steadily all day. In several of the Spanish trenches they found dummy wooden guns, but no soldiers. Only a very weak fire was kept up by the Spaniards. The American officers have received further evidence of the great distress being experienced in the city. This morning, after directing several range-finding shots over the ridge protecting Santiago from the sea, the cruiser "Newark" opened fire on the city with her 8-inch guns.

50 years ago

Strikes in France Paris, July 11. A general strike of French civil servants, who number about a million, from July 15, the day after the national holiday, is now considered possible, as is also a widespread strike movement in industry. The Posts and Telegraphs civil servants have agreed to postpone their strike until Tuesday to allow the Cabinet to take a final decision on the allocation of salary



FINANCIAL TIMES

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MONDAY JULY 13 1998

THE LEX COLUMN

Made (and broken) in Japan

Japan's voters have taken their revenge on prime minister Ryutaro Hashimoto for his dire mismanagement of the economy. But will the price of their fury be to push Japan deeper into recession?

The Liberal Democrats' stunning setback in yesterday's elections for the Upper House certainly threatens turmoil. Although the Upper House is a talking shop and the LDP remains in power, it will almost certainly have to chose a new leader: Mr Hashimoto's credibility has been destroyed. This uncertainty will make the ven and the Nikkei volatile.

On top of that, markets will worry whether crucial proposals due for speedy legislation now risk being put on hold. The two main ones are plans to create a bridge bank to wind up failed banks, and tax reforms. Resolute action on both is essential. Japan's banks, creaking under huge had debts, have slammed on the lending brakes. The ensuing credit crunch has fed into Japan's other crisis: dwindling consumer demand. Banking reform, at least, has been articulated. But Mr. Hashimoto's successor will have to improve on his predecessor's confusing pronouncements on fiscal stimulus.

Paradoxically, the sheer scale of Mr Hashimoto's humiliation may be what Japan needs. The traumatised LDP may now be willing to allow swift and dramatic action. Anti-Hashimoto politicians, who have called for a loosening of the fiscal purse strings, could now have an unprecedented opportunity to put their criticisms into practice. If so, the markets may remember that in other battered Asian economies a change in political leadership was needed to effect economic reform. Japan may be no different.

European defence

is it groundhog day for the European defence industry? The call from European governments for consolidation in the defence sector seems just a more forceful version of a similar appeal last December. Has anything really changed? Well, there have been no mega-mergers. But tle-ups, such as that between GEC and Alenia, and British Aerospace and Saab, have accelerated consolidation on a piecemeal

cross-border links are not the best solu-

tion to the overcapacity and competition facing Europe. Only real consolidation can provide that. But replicating the US model of public companies pursuing shareholder value through mergers remains politically tough: the European Aerospace and Defence Company (EADC)

Jul 1997

still looks a long way away. Nonetheless, there are signs of what could be a fruitful compromise. UK defence secretary George Robertson has stepped up pressure on France by trumpeting the merits of using the Eurofighter consortium as a superstructure for a European military aircraft company. The logic is certainly there: significant savings are available in the £42bn Eurofighter project if the various partners join forces before making separate investments. Ownership issues also look easier to resolve than in France's Airbus-centred

However, since France has an important role in Airbus through Aerospatiale, but none in Eurofighter, political opposition in Paris is likely. Threat of isolation could provoke the necessary changes to make the EADC possible.

Euro fiscal policy

The European central bank is starting to bark more loudly. The doors only open next January, but president Wim Duisenberg is already lecturing miscreants who show signs of straying from the path of fiscal rigour. Belgium and Italy are get-ting the whisper treatment and Ireland has also been told that tighter fiscal pol-

But what if, say, the Irish decide to enjoy their good fortune? Will European rates be higher than otherwise? That seems most unlikely. Germany and France account for around two-thirds of economic output. It is a safe assumption that ECB monetary policy will be set to suit them. And here the inflation outlook is wholly benign. Asia continues to exert a deflationary effect, and the competitive forces unleashed by monetary union will have a powerful downward impact on prices. For now, Mr Duisenberg's bark is likely to be stronger than his bite.

Greece

The latest bout of Asian nerves has put pressure on the rouble and the rand, but not the drachma. The contrast with last October - when Greece was also in the firing line and interest rates had to rise to nearly 30 per cent - is sharp. This time round, the drachma is actually appreciating. The reason is clear enough: since its announcement in March that it planned to join Europe's Economic and Monetary Union in 2001, the country has been protected from Asian turnoil by Emu's cordon sanitaire. Financial markets view it as a convergence play, not an emerging

All that is fine and good - provided it does not lead to complacency. Greece's fundamentals are not bad but not great either. Inflation and the budget deficit, Greek weaknesses, are coming under control. The government is pushing ahead with privatisation and labour market reform. The snag is that these policies do not have the backing of the government's left-wing supporters in the country, with the result that there is a tendency to water down proposals. Not enough is therefore being done to improve the competitiveness of an economy that still

depends heavily on European subsidies. The betting must be that the government will do enough to enter the euro club - in which case the convergence play still has some way to go. But Greece should beware that, if doubts emerge about its chances of entry, the markets reaction could be vicious. Hence, it should aim not just to squeeze into the club but to build in room for error.

Chinese growth targets in doubt as retail prices fall

June compared with the same enterprises to be stopped. Reforms to month a year ago, the steepest medium and large enterprises were monthly retreat since a deflationary not covered by the decree.

trend began nine months ago. The fall raised fresh concerns over whether the nation's 8 per cent growth target can be attained. Yesterday, the government indicated it would delay planned housing and enterprise reforms. These have been pushed by Zhu Rongji, the prime minister, but have made people fearful of higher housing costs and losing their jobs and therefore wary of

Economists said that deflation, which used to be seen as a symptom of weak demand, had now become a cause; consumers were waiting for prices to fall before buying. In the first five months of the year, retail prices fell 1.9 per cent against the same period in 1997. The decline in prices showed that government attempts to stimulate the economy through infrastructure spending had

The sale of small state enterprises in many parts of the country had : confused people and "seriously affected" the social stability of some areas, the decree said. It recommended the merger and restructuring of such enterprises rather than putting them up for auction.

Housing reform, under which state-subsidised housing was to be abolished from July 1, has also been postponed in many parts of China, the official Workers Daily newspaper said. Beijing will wait until the end of the year before raising rents on state housing. Economists said expectations of having to buy or rent living space were dissuading people-

from spending.

There was no evidence that the postponement of reforms had hit the

A decree from the State Economic or an abyss". Officials said Mr Zhu and Trade Commission ordered "ran- was continuing to pursue the China's retail prices fell 3 per cent in dom" selling of small state-owned streamlining of the bureaucracy, another of his reforms. Reform of the financial sector also

appeared to be going ahead. A finance official said new regulations on the closure of illegal financial institutions were soon to be announced. He added that it was possible that some non-bank finan-cial institutions, such as international trust and investment corporations, might be closed because of heavy debts.

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A third of these corporations. many of which are allied to regional authorities, were unable to repay their debts, the official said.

Such problems, coupled with weak consumer demand and declining export growth, were raising doubts about whether China could attain its 8 per cent growth target this year,

The finance official said Beijing planned to increase the issue of bonds later this year to raise funds prestige of Mr Zhu, who pledged in for infrastructure investment. This March to blaze his trail regardless if would help to kick-start economic ahead of him there was a "minefield activity.

Orangemen are urged to end stand-off after child murders

By John Murray Brown and Robert Wright in Drumeree

The Orange Order was under pressure last night to end the week long stand-off between protestant Orangemen and security forces in Drumcree, Northern Ireland.

A leading Orangeman called for the protest to be lifted after the murder of three young brothers from a mixed faith family, killed in their beds in a firebomb attack at Ballymoney, county Antrim. The Rev William Bingham, a mem-

ber of the Portadown Orange Lodge four-man delegation, which met Tony Blair, UK prime minister, last week, said "a 15-minute walk would be a hollow victory in the shadow of the coffins of three children".

David Trimble, Northern Ireland's recently elected first minister, also appealed to the protesters.

He said: "The only way they can clearly distance themselves from these murders and show to the murder young children, the only way to repudiate that is to come was more sceptical. David Jones,

down off the hill." Mo Mowlam, spokesman for the Portadown lodge, Northern Ireland secretary, urged Orangemen not to make Drumcree "the last stand".

The collapse of proximity talks arranged by Ms Mowlam and the UK prime minister's chief of staff, Jonathan Powell, between the Drumcree nationalists and Orangemen in Armagh on Saturday had already raised tensions.

Police fear that the climax of the marching season today could see thousands of Orangemen converge on Drumeree

Mr Blair yesterday had several conversations with Ms Mowlam and Mr Powell. Robert Saulters, grand ster of the Orange Order, was last night in Portadown talking with local Orangemen in a bid to resolve the crisis.

The "freedom camp" which was established outside Ms Mowlam's official Hillsborough residence was yesterday called off, and the Orangemen left behind a token bunch of

However, reaction at Drumcree

said the Rev Bingham had "little

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Officials from three other county Armagh lodges said they would continue to support the Portadown brethren in their demands to take their traditional parade route through the local Roman Catholic housing estate.

The Portadown Lodge had earlier failed to get approval from the decision banning the march.

Meanwhile, in Belfast, nationalist residents said they would stage a peaceful protest in response to the killings at today's controversial Orange Order march along the lower Ormeau road, allowing the police to scale back their security operation in the area.

Bertie Ahern, the Irish prime minister, urged nationalist residents "if they do have to have protests, they should be ordered and within the law, and they should do nothing to



Gaza. US backs Israeli withdrawal terms, Page 4

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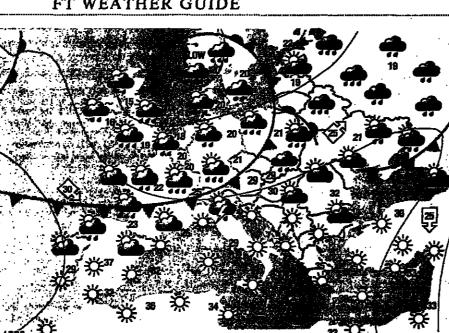
ing of annual or interior remorts and ecounts of 1200 LK pies Cityline: how to get share prices and market reports by telephone and faoback.

FT WEATHER GUIDE

Europe today Showers across northern France, the Low Countries and Germany will move southwards, reaching the Alos by this afternoon, Southern Scandinavi will be cloudy with spells of heavy rain and gusty winds. The far north will have some sunshine, but the Saltic states cloudy and wet. Showers are likely across the north of the Iberian Peninsula later today, but the rest of southern Europe will remain dry and hot.

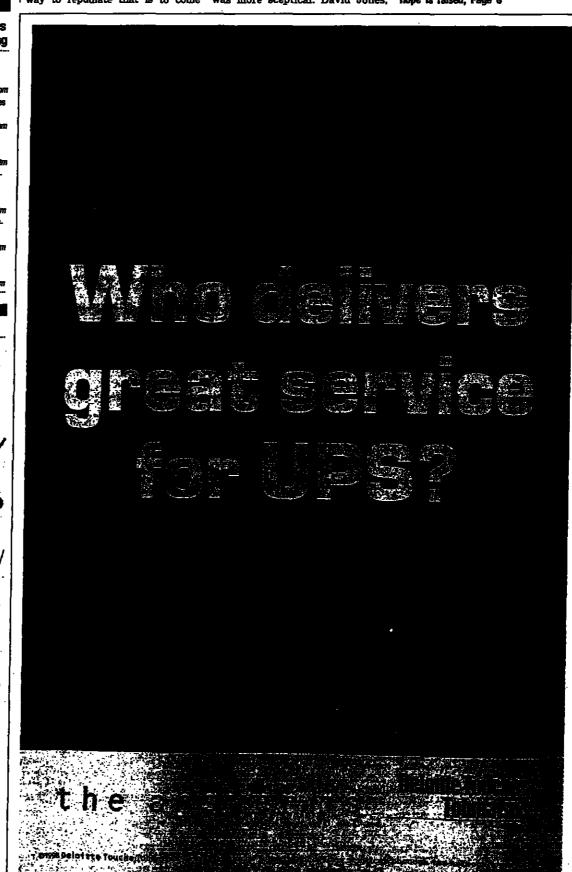
Five-day forecast Atlantic fronts will continue to bring rain across northern Europe, Southern France eastern Spain and northern Italy will have thundery showers tomorrow, but high pressure will bring a return of fine weather to the Mediterranean region from Wednesday onwards.

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TODAY'S TEMPERATURES Bangto Barcelo Belling Bellast Berlin Bermud Bogota Bombay Brusaels Budance Fair Fair Sun Fair Sun Shower Sun

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investment bank by hiring five years instead of two as

investment banking team, had "hurt" the bank, espe-

Frank Quattrone, to Credit along with media, transport

ment banking strategy was to it wanted to grow in the US.

stars came adrift this year, previously hoped.



INSIDE

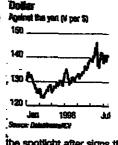
Blockbuster's rivals uneasy over revenue-sharing deal

The recovery of Blockbuster, the video rental chain, is frightening its smaller rivals in the US. Tension is high between Blockbuster, the film studies and the nation's 25,000 independent shops because of a revenue-sharing arrangement developed last year by Blockbuster and the studios. The deal has helped increase Blockbuster's revenue by 10 per cent this year. Page 21

UK dairy farmers hope for price rise Dairy farmers in the UK are eagerly awaiting the conclusion on Thursday of the first round of bidding in Milk Marque's twice-yearly price setting auction. Milk Marque, the dairy farmers' cooperative, is trying to push up its minimum price from 19p to 21.5p per litre of raw milk. Page 18

Moscow traders reassess market The mood on the Russian stock market has changed as it has fallen by two-thirds this year, more then erasing 1997's gains. Moscow's battered stockbrokers are wondering if this represen a fundamental reassessment of Russia's riskreward equation. Emerging markets, Page 21

Attention focuses on yen again



The implications of the results of the elections

to Japan's upper house may take several days to work through the forex markets. The elections are important because the ven's recent weakness has helped drag down commodity-based and emerging market currencies. Meanwhile the rouble will remain in

the spotlight after signs that Russia's liquidity cri-Bis is getting worse. Currencies, Page 24

Fate of Hubco hangs on IMF talks The outcome of talks in Washington between IMF staff and officials from G7 countries over Pakistan's impending debt crisis could further tamish the image of the country's Hub Power Company. A moratorium could prevent Hubco repaying the foreign portion of its \$1.14bn debt. Page 20

Asian bonds caught in vicious circle The latest deterrent to Asia's bid to develop a regional bond market - credit worthiness - has been brought about by the Asian financial crisis. It is ironic because the region's failure to establish a robust bond market is one of the reasons for the financial turmoil. International Bonds, Page 21

Volatility makes investors cautious The bull market in trans-European equities continued to stumble as fears about the impact of volatile markets in Asla and Russia encouraged caution. The UK was hard hit as the gilts market edged lower on fears over interest rates. Page 25

Bright prospects for German bourse The German stock market's prospects remain bright as a result of the widening economic the buoyant company profit outlook. But there are some clouds on the horizon. Page 22

FT GUIDE TO THE WEEK

full listings Page 34

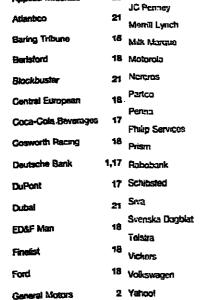
AUSTRIAN PLANS Austria's Wolfgang Schüssel will tell fellow foreign ministers of European Union nations at a meeting in Brussels today about his country's priorities for Its six-month EU presidency. He will outline plans to progress the "Agenda 2000" package.

WTO HEAD HUNT The Geneva-based World Trade Organisation launches its search on Wednesday for a new director-general to succeed Renato Ruggiero of Italy, who retires next April. TSAR LAID TO REST

The burial of the remains of Russia's last tear. Nicholas II, empress Alexandra, their children and several servants takes place on Fnday in St Petersburg 80 years after they were executed by the Bolsheviks at Yekatennburg.

17 Hubco 21 100

COMPANIES IN THIS ISSUE



MARKET STATISTICS

24 Foreign exchange 23 Managed funds service 28-30

26,27

such as Motorola and compiles brokers' estimates. The General Motors strike alone has knocked about 1 per cent off the numbers.

In ignoring these signals. investors are clinging to three arguments, each of which is becoming steadily less convincing. First, they are betting on a sharp earnings

the European single currency made clear it was prepared to zone. It has recently lost bid-sacrifice this for an attractive ding contests for CIC in France and Belgium's Générale de Banque, and had reportedly approached Achmea In insurance, the accord also

Netherlands and the second ranking in life business. The deal also takes Rabo- saw Fortis acquire Générale. bank into the provision of health cover under schemes plans are also a response to linked with the Dutch state.

of building a "bulge bracket"

most recently with the mass

The German group's invest-

to become as big in the US as gap.

"build and buy", in an attempt

rivals such as Goldman Sachs

UNITED DUTCH GROUP TO HAVE TOTAL ASSETS OF \$238BN

butions of the two sides.

broaden its operations within

Suisse First Boston.

kiers, which have operated core banking operations out- ket," the two groups said. "All The initial venture will have side the interim venture. Some Fl 101bn in assets, of which related activities - such as Fi 63bn come from Achmea. Gilde, its venture capital off- ingly having to operate more but Rabobank may add other shoot - will also remain in a innovatively and cost effecbusinesses in the coming separate group, with assets of tively."

Rabobank and Achmea announce merger plans months to even out the contri- Fl 385bn. Rabobank is the last bank to enjoy a triple A credit The deal was seen as rating from all the leading ratanother setback to ABN Amro. ings agencies without the benthe Dutch bank seeking to efit of some form of state guarantee. The group previously

and pharmaceuticals, was

among the sectors in which

"We have to try and fill this

Mr Breuer said the group's

deal, but Moody's, the US agency, has confirmed its rating at triple A. Rabobank has continued to hope for an alli-ance with Krediethank in Belmounts a strong challenge to gium, while warning that such ING, Aegon and Fortis on their a pact would take time. home turf. It creates the larg-Kredietbank has tied up

est non-life insurer in the with two other groups as part of a reshaping of the Belgian financial sector that separately "Achmea and Rabobank's

the changing balance of power But Rabobank is to keep its in the financial services marparties in the rapidly evolving European market are increas-

Deutsche's original strategy and Merrill Lynch were in markets and asset manage with other banks - "it depends f building a "bulge bracket" Europe. But this might take ment operations were all doing how narrowly you define well, but Deutsche was deter-

Mr Breuer said the loss of to build up its M&A and advidefection of its technology Mr Quattrone and his team sory businesses. This could involve an to ensure it was a proper fit," he said.

mined to invest more in the US

Deutsche Bank on US expansion trail

German group looks to acquisitions, co-operation and joint ventures

There were no immediate plans but Deutsche was looking at all possible candi'acquisition' ".
Asked about rumours that

Deutsche might buy Hambrecht & Quist, the US investment hank specialising in techheaded by California-based cially as high-technology, acquisition, but we would have nology, he said: "We know them, they are very interesting and a very good firm."

Deutsche could not wait too long to make its next move, but did not want to be under dates, as well as considering time pressure. Emphasising joint ventures or co-operation the need for care, Mr Brener

said statistics showed most mergers were dissolved in five

Deutsche had hidden reserves of some DM40bn (\$22bn), representing unrealised gains on its quoted shareholdings. Prices of acquisition candidates could fall if the rise in US share prices eased. "Maybe targets will become

cheaner." Mr Breuer said there had been no differences of opinion with Mr Quattrone and his team. They would probably have less independence with CSFB than with Deutsche.



Brisk trade likely for Coca-Cola Beverages

Trading in Coca-Cola Beverages the equity sold through a shares is expected to be brisk this moming when the new Coke main bottler for central and eastern Europe makes its debut on the London Stock · Exchange. After a late surge to demand for the 20 per cent of

bookbuilding exercise, the Issue was more than 10 times subscribed when bidding closed on Friday. The shares have been years. Trading in the new shares allocated at a price of 160p, the top of the range set for the flotation - valuing the company

at more than £1.7bn (\$2.8bn). Chief executive Neville Isdell (above) has warned that no dividend is likely for several on the Sydney stock exchange begins tomorrow. Comment, Page 18 Picture: Colin Bee

Value of cross-border mergers falls by a third in Asia

By Clay Harris in London

OTHE PROMICES LIMITED 1998

By Andrew Fisher in Würzburg

Deutsche Bank, Germany's

biggest bank, is determined to

expand its investment banking

business in the US through

acquisition, co-operation or

joint ventures, said Rolf

"It is essential to have a

meaningful presence in the US," he said in a meeting with

journalists. "Wall Street is at

the centre of capital market

innovation. It is not good

enough to be a Wall Street

By Gordon Cramb in Amsterdam

Rabobank, the Dutch-owned

co-operative bank, is to merge

with Achmea, a rival co-opera-

tive, in a deal that will create a

powerful competitor to the Netherlands' leading financial

services groups, with assets of

As a first stage of the

merger, which is to be con-

cluded within three years,

Rabobank will next January

put Robeco, its fund management subsidiary, and Inter-

polis, an insurance operation,

into a joint venture with Ach-

mea's activities. These include Zilveren Kruis, the biggest

Dutch health insurer, and Cen-

traal Beheer and Staal Ban-

independently within the Ach-

mea grouping.

Fl 486bn (\$238bn).

watcher. We have to be a Wall

Breuer, the chairman.

Street participant,"

Company takeovers have dried nomic crisis. cross-border merger activity continues to surge in the rest of the world, according to a survey published today by KPMG Corporate Finance, an arm of the accountancy firm.

The value of cross-border deals in Asian and Pacific countries reached \$18.14hn in the first half of 1998, more

to the Asian trend. In Japan, inward acquisitions soared from \$113m to \$5.33bn in the first half. In South Korea, the value of transactions rose from \$260m to \$3.36bn. But inward corporate invest-

ment fell from \$6.57bn to \$642m in Hone Kone, from than a third below the \$28.99bn \$2.19bn to \$1.01bn in Indonesia,

recorded in same period last and from \$1.26bn to \$209m in also gained, against the trend "There's clearly a value issue," the first half of 1997, KPMG

> Latin America and countries in central and eastern Europe also suffered from jitters about erging markets. Brazil, the continental

leader, held nearly steady, \$2.53bn in China, from \$5bn to attracting deals worth \$4.25bn, but other countries in the region saw large falls. Russia

companies "seem to be holding back from investing in most 'newer' markets and are opting less volatile, North American and European countries."

Mr Barrett acknowledged that many deals were going ahead in Asia, but at lower nrices, because of the share declines in some currencies.

year, ahead of the regional economic crisis.

There were two excentions

India. Deals "virtually dried among its neighbours. he said. remained the mong its neighbours. he said. remained the mong its neighbours. he said.

There were two excentions they had reached \$2.37bm in KPMG Corporate Finance, said cross-border deals reached a The value of the mong its neighbours. record \$220.61hn, against \$148.9hn in the first half of

> total activity by value, leading both as targets - \$80.11bn and as acquirers - \$58.43bn. In spite of a rise in crossborder takeover activity in the

1997 and \$198bn in the second

half. US companies were

acquisitions of UK companies jumped to \$47.63bn in the first half, compared with \$12.3bn in involved in more than half of and the previous six-month record of \$43.1hn in second half of 1997. The largest deal was Texas Utilities' \$10.4bn takeover of Energy Group, after a spirited battle with eurozone ahead of economic rival hidder PacifiCorp.

:]



DANIEL BOGLER

stirs on Wall Street

Pamplona sprang to life last week as thousands of revellers packed its cobbled streets for the annual running of the bulls, in New York, another more ageing, bull started to toss its head again after three somnolent months. Perhans it was the Pampiona spirit. More likely, it was investors shaking off a bout of Asian worrles, which had kept sentiment subdued since April. Either way, US equities are back near record levels, with the S&P 500 index up nearly 20 per cent so far this year - not quite matching Europe's pace but pretty satisfactory. This renewed optimism

contrasts with rather grim iews on the ground. US corporate earnings are coming under increasing pressure from Asia, the strong dollar, and gradually slowing domestic demand. The arnings include DuPont in chemicals, high-tech firms Advanced Micro Devices, and retailer JC Penney. They show the problems are spreading across the economy. The second-quarter results season, starting in earnest today, is expected to produce earnings growth of less than 2 per cent. according to First Call, which

recovery. US analysts are still

forecasting growth of 8 per cent for the year, implying a much stronger second half, and a breathtaking 18 per cent for 1999. But this looks like fantasy against the background of a slowing

domestic economy and the fact that the full impact of Asia has yet to be felt. In reality, it has much to do with Wall Street mechanics - in the absence of ecurate guidance from mpanies, analysts have simply left next year's numbers unchanged. But, as

the downgrades filter through over the next few months, expected earnings growth will ratchet down - and investors will have to face reality. The second argument claims that any disappointment over

earnings will be offset by further declines in interest rates - justifying higher valuations and thus leaving share prices unscathed. This has worked beautifully over the past two years as bond and equity prices have chased each other higher, but at 5.6 per cent, the US long bond yield is close to historic lows. With the comparable index-linked Treasury yielding 3.7 per cent, long-term inflation

expectations are already less than 2 per cent and it is hard to see them being squeezed much lower. The experience in Japan, where bonds have hugely outperformed equities, shows that the two markets can just as easily move in opposite directions.

The third recourse of the optimists is that liquidity will continue to underpin the market. But this too may be

overstated. The growing popularity of bond mutua funds this year suggests that while retail investors do not necessarily sell shares when the market behaves skittishly, they do cut back the amount of new money flowing into the market. Equities now account for a record 40 per cent of household financial assets (excluding real estate), and further growth in that ratio will probably be very gradual

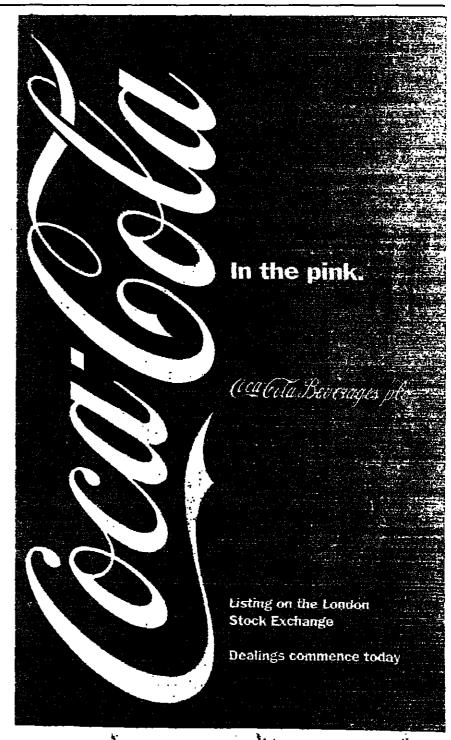
But even if these arguments prove well-founded, the picture is not all that much brighter. The much-heralded slowdown in the economy would prove rather temporary. That would eave the Federal Reserve with little choice but to raise interest rates to prevent domestic overheating and inflation.

Alan Greenspan, the Fed chairman, has made no secret of the fact that he is worrled about growing wage pressure But he has held off for fear of the turmoil that higher US rates could cause internationally. Any improvement in Asia's fragile economies, however, would

give him the leeway to act.

This would have dire consequences for stocks. because most investors are counting on steady rates for the remainder of the year to justify current prices; some are even banking on another cut. So far the US market has rather nimbly kept to the straight-and-narrow. But the

thought of a bull continuing to balance on such a narrow tightrope, will at some point give investors vertico.



حكذا من الأصل

Ford agrees to buy Cosworth Racing

By Jonathan Guthrie

Ford, the US motor announce today that it is to buy Cosworth Racing, the motor sport division of highperformance engine maker

The expected purchase would follow hard on the heels of an announcement by Vickers, the UK engineering group, late on Saturday that it had finalised terms for the sale of the whole of

Finelist

Partco

merger

Finelist, the acquisitive car

components distributor, has

approached rival Partco

takeover would create a

business capitalised at more

than £400m with 17 per cent

of the fragmented car parts

A combination is thought

likely to appeal to shareholders in Finelist and Partco

because there is considerable scope for costs savings.

Several large institutions hold stakes in both compa-

Pulling together Finelist

and Partco would be the cul-

mination of a series of deals engineered by Chris Swan,

chief executive of Finelist. In

March the group bought

Lucas Service UK and Inde-

pendent Parts Group, two

car components makers, for

£33m and £38.4m respec-

Partco recently said that it

was also interested in

growth through acquisitions.

In March it bought the Euro-

pean operations of Dana, the US car parts company, for

Finelist is believed to

in which shareholders in

both groups would gain

Speculation over the week-

end suggested Partco had

rebuffed the approach from

led by chief executive Philip

Wragg, chief executive, wanted the company to

remain independent. How-

ever Partco is understood to

still be considering the pro-

If a merger is impossible.

Finelist is thought to be

unwilling to pay a premium

of more than 30 per cent for Partco, valuing the business

The merger approach is

said to have been triggered

partly by a profits warning

issued by Partco at the end

of last month. Partee said first-half profits would be

below City expectations

because the mild winter had

cut demand for brakes and

radiators, and because

demand for second-hand cars

Finelist is expected to pro-

the year to June 30. How-

ever, it is capitalised at

£158m for Partco, reflecting a

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EN THE REGIS COURT OF PUSINGS.

CONTACUES COLE

IN THE MATTER OF

was falling.

at no more than £205m.

posal

stakes in the new entity.

industry.

about a possible merger. Combining the two busi-

By Jecathan Guthrie

proposes

Cosworth to VW for £117m. would end its agreement to However, the German group is understood to have agreed company, is expected to to sell on the motor sport division to Ford. VW's purchase of the

remainder of Cosworth will provide it with a new source of engines for Rolls-Royce cars, following its £470m takeover of the luxury marque this month.

Last Thursday BMW. which lost out to VW in the race for Rolls-Royce Motor Cars, gave notice that it

Royce cars in a year's time. The purchase of Cosworth Racing will be greeted with ampton base. relief within Ford, which feared that Cosworth's sale

to VW would end a relationship lasting 30 years. Engines developed collabora-Cosworth Racing to its US tively by the two companies rival. They said the German group would hang on to the were the bedrock of Ford triumphs in Formula 1 and US business with the aim of harnessing its expertise to pro-IndyCar racing that were central to its worldwide marketing efforts.

The news is also likely to Cosworth, through IndyCar the beginning of May, and a supply engines for Rolls please Cosworth Racing racing in the US. employees. Ford is under-

However, an executive stood to have agreed to the with knowledge of the deal said: "Audi's real interest is unit remaining at its Northin the three other divisions in Cosworth, which can be Commentators on Ford recently dismissed any likeliused in its mainstream busihood that VW would sell

The sale price of £117m agreed between Vickers and VW for the whole of Cosworth is close to original support its core activities in estimates. It consists of marine technology, turbine mote Audi, the VW subsid- £107m for the assets of the components and defence iary which is buying company, valued at £59m at systems.

further £10m for assets pre-

Cosworth produced operating profits of £5.8m in 1997 on turnover of £116.9m, which included sales of £18.3m to Rolls-Royce Motor

Vickers said it would use the proceeds of the sale to

Naughty Sears. The Hampel committee report on corporate governance criticises the "bundling" together of different proposals for shareholders to vote on. The demerger of Selfridges from Sears does precisely that. Bound up with the demerger proposal is an executive remuneration scheme. The two stand or fall together. For those investors who object to the bundling, is it worth voting against the scheme in totò?

Almost certainly not. If Sears' motives were under suspicion, the answer might be different. That is not the case. The executive pay scheme under discussion actually goes to the heart of corporate governance - aligning management and investor interests. Moreover, it was thoroughly canvassed with investors ahead of time. By locking in goodmanagers, it ensures the demerger has a reasonable chance of success. To vote against that would be to impede the best chance investors have of rescuing some value from the

That said, any scheme which leaves some shareholders seling they have been bounced into a decision is flawed. Bob Reid, chairman, may be right when he says the two issues are inextricably linked. But shareholders are entitled to make that decision themselves. Clerical Medical were, therefore, right to fire a warning shot. But having made the point, voting against the demerger would smack of overreac-

Coca-Cola Beverages

These are not happy times for companies exposed to emerging markets. Admittedly, Coca-Cola Beverages, one of Coke's main bottlers whose shares start trading in London today, is focused on eastern and central Europe. This is not quite as hairy as Asia right now, but still carries risk from Russia's current turmoil. However, such is the magic pull of the Coca-Cola name that Coca-Cola Beverages' shares have been snapped up right at the top of the price range. Investors thirst for the shares is also due to the relative lack of large new issues this year. Coca-Cola Beverages is providing only slight relief: the parent company, the Coca-Cola Company is hanging on to 50.1 per cent of the equity. Still, having an investor like that will help quell nervousness when the froth subsides and shareholders contemplate the heavy capital

expenditure and exposure to the former communist block.

NEWS DIGEST

BUILDING MATERIALS

MBO at Norcros labelling arm

Norcros, the building materials and speciality chemicals business, is expected to announce today that it has agreed to sell Norprint, the labelling business, to its management for £7.9m. A buy-out feam led by Eden Douglas, chief executive of the Norprint Labelling Systems subsidiary, and backed by Lloyds Development Capital, will also take on finance leases worth £600,000.

The disposal marks the transformation of Norcros from a conglomerate into a more focused group concentrating on

ceramics and speciality chemicals Norprint is being sold at a small discount to net assets. Norcros will make a 25m loss on the disposal, which includes £1,6m for goodwill written off. The unit made a £1m operating profit in the year to March 31 on sales of about £27m.

Norcros has meanwhile been released from the immediate threat of a hostile takeover by John Mansfield, a small timber company that is the bidding vehicle of Active Value Investors. This is an investment company run by Brian Myerson, an

of Liberty, the retailer. Two weeks ago Mansfield announced its was considering bidding for Norcros, then capitalised at £117m. But following pressure from the Stock Exchange to clarify its intentions, Mansfield said an offer was no longer on the agenda. Despite this, Mansfield is believed to have retained the idea of a takeover as a long-term option. Jonathan Guthrie

FINANCIAL SERVICES

ED&F Man expands brokerage side

ED&F Man Group, the financial services and agricultural products group, has agreed to buy the brokerage accounts of the investor services division of First Options, a Chicago options trader. The group is expected to pay about \$11.6m (£7m), mostly in profit-related amounts from completion to December 31, 2003. The purchase fits in with ED&F Man's strategy of making small, bolt-on acquisitions to bolster its position in wholesale financial services. Harvey McGrath, chief executive said the group could handle the extra volumes of business

from the acquisition using existing capacity in Chicago.

The division made pre-tax profits of \$4.4m in 1997, when the book value of assets was \$300,000. Its clients are mainly regional brokers which lack their own execution and settlement capability. The vendor is Spear, Leeds & Kellogg, a New York investment company. Jonathan Guthrie

HOUSEHOLD GOODS

Prism Leisure declines 69%

Prism Lelsure, the home entertainment group that issued a profits warning in September, reported a 69 per cent fall in annual pre-tax profits and admitted it had performed poorly. saler and distributor of music, videos and computer games, said it had suffered from problems at its German subsidiary, the strength of sterling and the absence of suitable computer games in which to trade.

Turnover for the year to March 31 decreased 7 per cent to £31.1m. Pre-tax profits fell from £2.70m to £832,000 after a provision of 2600,000 relating to the planned disposal of the German offshoot. Earnings per share fell 71 per cent to 6.04p. A proposed final dividend of 5p gives a total of 6.38p (7.19p).

SUPPORT SERVICES

Penna makes £12m acquisition

Penna Holdings, the human resource services group, announced a jump in pre-tax profits and the £12m acquisition of Talisman Information Systems Resourcing. The consideration for the search and selection company that specialises in the recruitment of IT personnel, will be satisfied as to £4m in cash, 26m in shares and 52m loan notes. Part of the cash element will be funded by the placing of 1m new ordinary shares at 240p by SG Securities to raise \$2.4m before

INFORMATION TECHNOLOGY

Microgen continues to fall

Profits at Microgen continued their downward spiral as the business information company, which has issued three warnings in the past year, reported a 69 per cent drop in pre-tax profits from £4.21m to £1.29m, including an exceptional gain of £474,000, for the six months to April 30. Operating profits fell 75 per cent to £1.04m, but sales were down only 4 per cent at £32.6m. The full-year figure has been downgraded again by Kleinwort to \$2.1m a

Relations turn sour at the top of the dairy industry

Maggie Urry looks at the increasingly bitter battle between Milk Marque and processors to control the price of milk

dairy farmers attempt to squeeze a price increase from the processing compa-nies that buy their milk. The winners will scoop the slim profits to be made in an

nesses through a merger or industry under pressure. Neither side is revealing its hand, but both are indulging in bluff and counter-bluff ahead of the conclusion on Thursday of the first round of bidding in Milk Marque's twice yearly price setting auction, for deliv-

eries beginning in October. Milk Marque, a dairy farmers' co-operative, collects and sells more than 40 per cent of the milk produced in Britain, and its selling price acts as a benchmark for the rest of the UK's milk. It is trying to push up its minimum price from 19p to 21.5p per litre of raw milk.

The prospect of higher raw milk prices has depressed the dairy processors' share prices in recent weeks, as investors recall the profit falls they suffered when milk prices rose after the industry was deregulated at

the end of 1994. Relations between Milk Marque and the dairy companies, often bitter, have never been worse. Milk favour a merger with Partco Marque has increased the tension in this auction by tearing up bidding rules agreed with the Office of Fair Trading in 1996, even though the Monopolies and Mergers Commission is in

tive said: "Milk Marque has of the market.

he cards are being dealt shot itself in the foot with this week for a high the MMC. It has been stakes game of poker as accused of being a monopolist and now it's proved it is

> The most important of these rules was that Milk Marque could not close a selling round until at least 90 per cent of its milk had found long-term buyers. If demand totalled less than 90 per cent, Milk Marque had to cut its prices and hold a further round of bidding.

In the last auction, in January, it took four rounds to bring the price down to a level that attracted sufficient

Paul Beswick, managing

director of Milk Marque, would not be drawn on how Milk Marque would respond if the level of bids is low. But that may be what will happen. Analysts believe the processors could simply stand back from the Milk Marque auction and depend on raw milk supplies from

other sources while stopping

production of long-life dairy

Neil Davidson, chief executive of Express Dairies, one of the six large raw milk buyers, said: "Commercial logic suggests there should be very little demand [at

21.5p a litre]." The crunch would be over milk sold in liquid form or turned into short-life-products. Raw milk must be processed within 36 hours of being produced or it is worthless. If Milk Marque the supply of raw milk. forced to sell on the spot market and be at the mercy

of the Dairy Industry Federation, which represents the processors, said: "If buyers are discouraged from bidding because of the high quoted prices then this will be to the disadvantage of farmers who may find they have no outlet able to take

is from 19p to 21.5p

their product". Milk Marque believes its tactics are the best for its dairy farmer owners. Sharp falls in the price farmers get for their milk over the last 18 months, from about 25p to _18p, per litre, have savaged = competitors =do. Farmers their profits, which fell 35 should blame the strength of per cent last year. Many regard 200 a litre as the minimum price at which the argue. fails to agree long-term con- average dairy farmer can

Milk Marque, consumers have seen no reduction in the price they pay.

he processors argue that they have simply rebuilt margins that were squeezed after deregulation. when bidders panicked in Milk Marque's auctions and pushed the price up. They say there is no market justification for a price increase and they cannot afford to pay more for their milk supplies than their European sterling, not their customers. for the milk price fall, they

Milk Marque has riled the

tomers refuse to buy. The processors say Milk Marque could use this capacity to manipulate prices, while Milk Marque argues it is merely providing the investment in the industry that the dairy companies have

failed to make. The answer may be that there is simply not enough profit to go round while ster ling remains strong. The advantage has swung from farmers to processors in the last 18 months. It is hard to believe that Milk Marque's brash-attempt to swing it back will work this time round or that it has improved its chances of surviving the MMC investiga-

Meanwhile the margins of announcing plans to build ning hand on Thursday, it the processing companies its own processing capacity will by no means be the end and the supermarkets, have to absorb the milk its cus-

Central European Baring Tribune may face attack follows sector buy-back trend

Central European Growth assets invested mainly in eastern Europe, has become the latest in a series of investment trusts to announce plans to buy back

The shares fell 40p to Buy-backs are seen as a 196%n on cuts by analysts in 1998 pre-exceptional profits potent weapon in managers' forecasts from £30-£31m to attempts to reduce the excess supply of shares in the £60bn sector and so potentially cut the wide disduce similar profits to Partco, of £28m to £30m in count between the typical trust's share price and the value of its underlying about £245m. compared with assets. However, Glen Wellman of

Credit Suisse Asset Management, which manages Cen-tral European, said the "evited earnings per share dence on the long term effect on discounts is unproven - now says it views as an between small shareholders the buy-back is primarily to "attractive outcome". China and the sector's predators. enhance the net asset Investment Trust, a tiny value". A buy-back can increase the asset value of £9.1m, has also decided to whose shares trade on a trust trades on a big dis- ment trust. But the terms count, since it is effectively buying its own assets for brows - the proposed deal less than their face value.

The continuing contraction runs the trust.

to wind up.

Scottish Asian Investment Company, which specialises in Asian stockmarkets, has persuaded Millennium Offshore Partners, a hedge fund which bought a 20 per cent stake in it in March, to drop its request for an immediate meeting of shareholders to vote on winding it up. But are increasingly unhappy the reprieve is likely to prove temporary.

Shareholders will be able to vote on whether to wind up Scottish Asian at their annual meeting in October. The trust has also decided to offer them a vote on whether it should abandon its investment trust status and become open-ended by the end of November - an option which Scottish Asian's board fund with assets of just may raise shareholders' eyewill cost about 10 per cent, Buy-backs are not enough including a pay-off to Jupiter to save every trust, however. Asset Management, which

on proposals

Baring Tribune, the £360m investment trust at the centre of a bitter takeover bat- trust. tle, could face a barrage of criticism when it publishes its long-awaited restructuring proposals on Friday.

A number of the trust's institutional shareholders about both the delay in producing the proposals, originally promised for early June, and the perceived bias of the Barings-influenced board towards its incumbent manager. "There are so many aspects of this that are just so bad for the sector," said one analyst.

The Baring Tribune board has characterised the fight over the trust as a battle between small shareholders Advance UK, the "vulture fund" which targets trusts that in March initiated the battle for the trust.

responsible to all shareholders, not just some noisy ones nove, which is advising the But some institutions are

muttering that the board may be paying more attening Private Investment Management, which runs the trust, than shareholders. They point out Barings is linked to a stake of 29 per cent of Baring Tribune via its private clients or pension funds. One of the shareholders said: "It all just feels a bit unsatisfactory. It's not helped by the length of time that has been taken. My concern is that we have not yet seen a deal."

Baring Tribune rejected

approaches from three suitors - Edinburgh UK Tracker, Fleming Claverhouse and Legal & General in May in favour of its own scheme. This will give sharethe remaining shares if the abandon life as an invest-wide discount to the value of holders a choice of a scaledtheir underlying assets, was down version of the current one of three shareholders trust run by the same manager, a linked tracker fund

that will shadow the FTSE "Whatever we do is not All-Share index, run by Bargoing to be perfect for all clays Global investors, and a individuals. The board is limited cash exit.

set for £14m purchase By Arkady Ostrovsky

Berisford

Berisford, the kitchens and kitchen equipment group, is today expected to announce its first acquisition in a £200m expansion programme over the next six months.

The company, which com-

prises Magnet, the UK kitchens and joinery group, and Welbilt, the US supplier of cooking equipment to McDonald's, is set to pay £14m for CP Hart, an upmarket bathroom distributor in south-east England. Hart would reduce Magnet's dependency on its traditional areas, where sales have been slow in the past six months, and allow it to move into a higher-margin market. The company has net assets of £2m and last year made pre-tax profits of £2.4m on turnover of £15m.

The deal, which is expected enhance Berisford's earnings, is likely to surprise analysts who believe the group should be concentrating its investment on Wel-But most of the subse-

quent acquisitions are expected to be on the cooking equipment side of the business. Over the next two months Berisford is likely to spend £60m buying private companies in the US and Europe, and will bring its total spending to £200m by the end of 1998.

The expansion, is part of an effort by Alan Bowkett, chief executive, to turn Berisford, the former commodities trading conglomerate with a troubled past, into a leading supplier of catering equipment to large international food chains Welbilt already accounts

for 61 per cent of Berisford's sales and for 75 per cent of its operating profits. The acquisitions are expected to increase Welbilt's contribution to operating profits to 80 per cent in the next financial

Pressure to raise offers to Names

By Christopher Adams,

Lloyd's, have held back from pitched too low.

risk. Noble & Co, the Edinto raise offers they have rence, Christie Brockbank Shipton, Stace Barr, and Fal-

Noble & Co's views may be that have sought its advice. Names will receive letters detailing its views.

ing to acquire control. It 18%p cash for every £1 of backed Cox's bid of 22p in capacity on syndicate 2020, which underwrites a wide dicates, is too low.

to believe that an offer from-

AND BY THE MATTER OF THE CONCRECES ACT 1965 paints: In PRESE CAPIN that the Critic of the high Coast of Julies (Distore, Discove) direct in July 1998 qualitating the reduction of the plane president account by 17,474.000 or the above-natured company was registered by the Register of Companies on 5 July 1998. nsurance Correspondent

Lloyd's members' agents representing the interests of thousands of Names are put-

made to buy Names' inter-The independent advisers of some 70 per cent of unlim- Lloyd's underwriting agents, ited liability Names, the is thought to have concluded

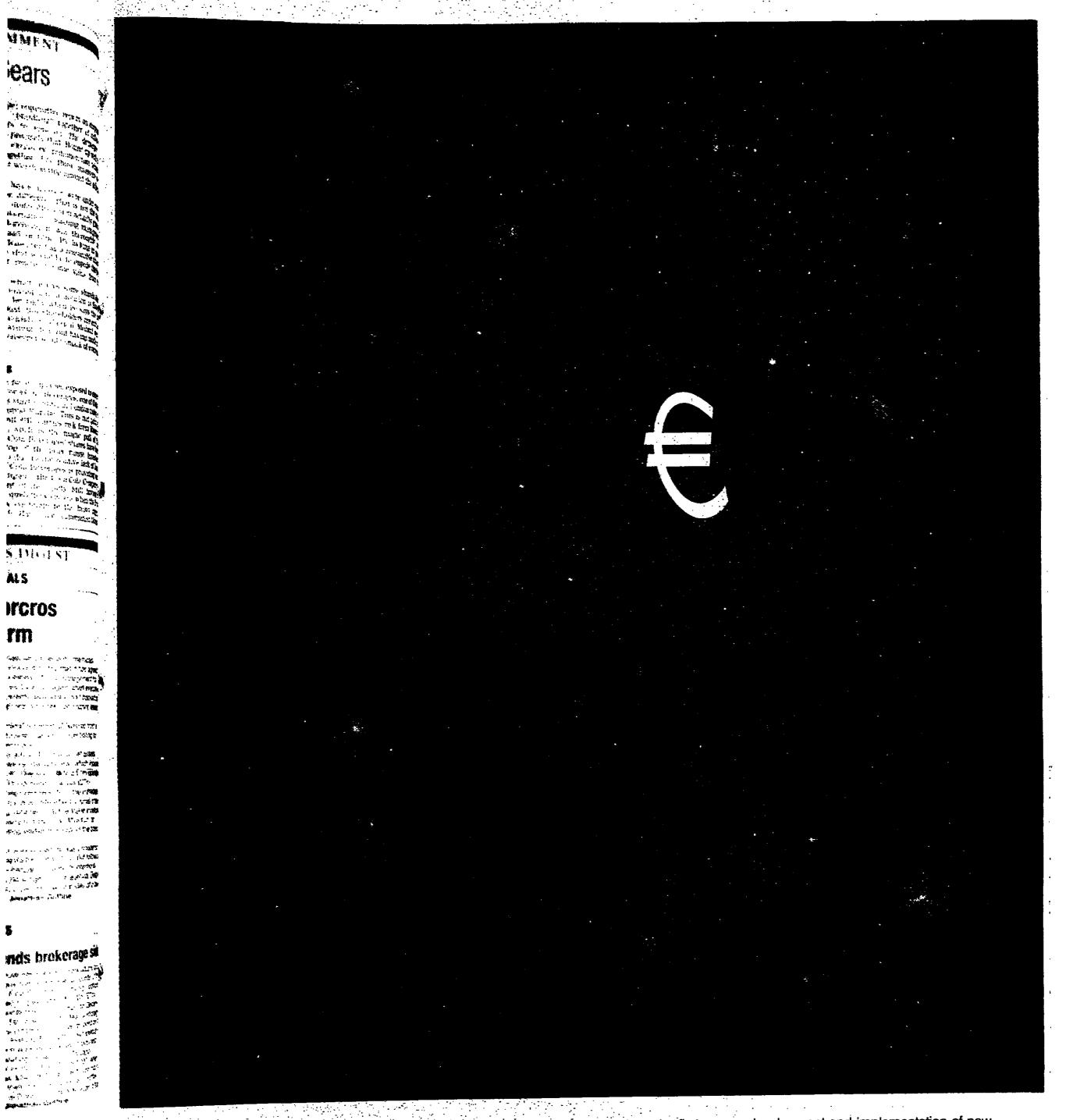
endorsing offers for several leading syndicates, the trad- influential because of the marine, aviation and noning units which underwrite number of members' agents burgh-based investment The bank has been helping bank, has been advising in negotiations with underting pressure on underwrit- members' agents including writing agents where those ers at the insurance market Anton Jardine, Murray Law- have occurred. This week,

its own analysis of offers support for an offer made by to a group of nine members' by Wellington Underwriting Cox for one of the three synagents handling the affairs and Cox Insurance, two dicates over which it is tryindividuals whose assets that offers for several of the cash for each pound of to be created next year by a have traditionally supported syndicates have been capacity on syndicate 1485, merger of three smaller syn-

marine markets.

But it has not recommended that members' agents endorse the bid of 20p for syndicate 218, which writes motor insurance, and the bid of 50p for syndicate 1176, which specialises in The bank has given its nuclear power stations.

Noble & Co is also thought Wellington Underwriting at



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ALS

landmark achievements such as the first euro-denominated swaption, the first Czech PRIBOR range swaps, excellence in structured bonds and a key role in developing the spread option market in Germany. Our clients benefit from a proactive approach to creating tailor-made solutions, a proven record in the successful

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Dresdner Kleinwort Benson

Consolidation between equity exchanges could result in apartheid for Europe's smaller companies, writes Simon Davies



The Frankfurt and London stock exchanges have presented a beautiful vision of a seamless market for Europe's 350 biggest companies, but this creates the threat of an apartheid system for smaller and medium-sized companies.

The exchanges envision a dealing system, which will channel rising levels of private nension cash and existing low-yielding insurance funds into regional blue-chip equity portfolios.

That will leave several thousand companies, with market values ranging from 250m to 23bn, trading under a fragmented network of local stock exchanges

Moreover, the development of new exchanges for high technology and growth companies is taking some of the dynamism out of this small-cap market. Euro NM, the alliance of

attracting many of the fastgrowing small companies that would have previously gone to the main market.

Mobilcom, for example, has seen its shares grow more than 200 fold since it became the first company to be listed on Germany's Neuer Markt, now part of Euro NM, last year. It is in a market designed

for small but fast growing companies, but it has a stock market value of more than DM6bn (\$3.3bn). This is follow-cost, highly efficient lowing the pattern of Microsoft, which remains listed in the US on Nasdaq, rather than progressing through the ranks of the New York Stock Exchange.

So will this mean a dull performance for smaller European companies, as liquidity is channelled one way and the dynamic small companies go another? Paul Marsh, professor of

management and finance at London Business School. argues: "As dealing costs come down and liquidity improves for the top 300 European stocks, it could lead to slightly higher share regional high-growth stock prices and a fall in the cost markets, and Easdaq are of capital. This does not

HSBC Securities Smaller European companies index relative to the FT/S&P Europe index

affect small companies as such, but it could mean that the valuation gap widens." There could be particularly distorted valuations among those companies that fall out of the super-league of the new blue-chip market,

move into it. Mark Howdle, European equity strategist at Salomon Brothers, argues: "There will

or those that are expected to

None the less, Henderson Asset Management tracks 1,300 companies with a value

become a negative one.

of less than \$500m in Europe excluding the UK, providing its small-cap universe, and these have a total value of only \$228bn - equivalent to Europe's two biggest companies combined.

"As long as there are attractive small companies out there, it doesn't take very much liquidity to realise their value," argues Andrew McNally, European smaller company fund manager at Henderson.

Moreover, much of the

under-performance in smallcap stocks is attributable to their sector weightings, and over time this will change. The creation of a substantial single currency equity market in Europe should encourage large and relatively untapped areas of the regional economy to raise capital on the stock market. creating a more dynamic smaller company universe.

Some of this may shift into new specialist stock markets and therefore be ignored by to close.

a discount. The so-called the mainstream small-cap

benefit the same Europea small-cap investors. After all, UK European smaller company unit trusts have already out-performed the broad European benchmarks this year.

small company effect has benchmarks, but it will still

The regional stock exchanges will lose much of their responsibility for blg companies through the creation of the new regional market, so they should put more effort into nurturing the blue chips of the future.

Therefore, while swathes of the European stock market universe may appear to be heading for the twilight zone, the real impact will be limited.

Jonathan Sharpe, head of small companies fund management at Gartmore, says: "Markets are fairly efficient. If big-cap stock valuations become over-inflated, then investors will buy growth

more cheaply elsewhere. The risk is more that the creation of an equity super league means that the valuation anomalies between small companies and giant multinationals take longer

DERIVATIVES COMPENSATION FOR BELGIUM

Merrill Lynch 'to pay less than feared'

Merrill Lynch, the US securities firm, is understood to be confident it will not have to pay the Belgian government "anywhere . near" the \$300m figure for compensation reported in the UK press yesterday. "The payment will be way. way lower," said a figure

close to the negotiations. The compensation relates to losses the Belgian government ran up through a series of high-risk derivatives deals it carried out in London between 1989 and 1993, mainly via Merrill. The deals were dollar and D-Mark "power options", an unusual type of derivative that magnifies the potential

gain, or in this case loss. Buying a currency option gives the purchaser the right, but not the obligation. to buy or sell a currency at a set future price and date.

Selling these options - as the Belgian government did is much more of a gamble. since the seller is forced to pay out to buyers if the foreign exchange markets move against it.

Belgium's sale of the options initially paid off, and the underwriting proved profitable, but all that changed when the UK left the European exchange rate mechanism in 1992. Belgium swiftly racked up huge paper osses, which at one point

totalled more than \$1bn.

Recent currency movements have apparently reduced the liability although the final amount may not be known until 2002 when all the deals have expired. Merrill and the government have agreed to issue this year, however. "It has been going on since 1992 - both sides are sick of it."

the insider claimed. The deals caused considergium when they became public. The government said it did the trades to hedge other foreign-denominated debt but people were shocked to discover it had been dabbling in such a high-risk financial area.

The hole in the public finances emerged midway through a radical programme of spending cuts designed to reduce the country's huge budget deficit and so meet the criteria to enter

European monetary union. The affair has now largely blown over in Belgium but for Merrill it raises uncomfortable echoes of its brush with Orange County. Merrill last month agreed to pay \$400m to settle a \$2bn law suit brought by the Californian county, which went bankrupt in 1994 after running up huge losses on derivatives bought from Merrill and others. Merrill is still in discussions with the Securi-

sion about the affair.

fulf Sill tles and Exchange Commis-

Mobile phone groups set for price battle in space

By Christopher Price

A price war in space looks set to break out. ICO Global Communications, one of three companies planning to launch the world's first satellite hand-held mobile phone service, has said its call charges could be Iridium's. less than half those Iridium planned by rival operator

The news comes just 10 weeks before the launch of three to go into operation. prices. The 66-strong satellite constellation allows calls to be made to and from anywhere in the world on an average-sized mobile

Last week, Iridium's Japanese cellular partner became the first to publish official prices for the service. These showed a maximum price of tional call using the satellite

However, ICO said on Fri- for customers and market twice as long.

BIDDER/INVESTOR

ABN Amro (N'lands)

Royal Dutch/Shell (UK/N'lands)

Cendant (US)

BTP (UK)

Impac (US)

Lucent (US)

Norske Skog (Norway)/ Abitibi (Canada)

Special Metals (US)

Quebecor (Canada

CROSS BORDER M&A DEALS

Banco Real (Brazili)

Rosneft (Russia)

Hansol (S Korea)

Unit of Inco (Canada)

Tryckinvest (Sweden

Archimica (Italy)

LanNet (Israel)

CB Richard Ellis(Canada) Hillier-Parker (UK)

Tinsley Robor (UK)

RAC (UK)

day that its maximum price was likely to be set at about \$3 a minute. Both companies intend to cut prices to as

little as 50 cents a minute for developing countries. ICO also said that its phones would cost about \$1,000 each, against \$3,000 for Iridium has signed part- Loral, is due to begin its

around the world. They are responsible for marketing the \$5bn Iridium service, and administering the which will be the first of the service, and setting final Orange, for example,

nership deals with more

the UK says its prices are likely to be between \$2 and \$5 a minute. The ICO move will put pressure on Iridium and Globalstar, the other satellite consortium, in the new market which analysts believe will struggle to sup-

port three operators. The

system means that the battle

SECTOR

Banking

Oil & gas

Pulp & paper

Motoring srycs

Fine chemicals

Computers

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It is expected that dealings in the ordinary shares of Ryanair Holdings plc will commence at 8.30 a.m. on 16 July 1998

RYANAIR

Ryanair Holdings plc

incorporated and registered with limited liability in Ireland under the Companies Acts

Admission to the Official List of the London Stock Exchange

Sponsored by

Morgan Stanley & Co. International Limited

Share capital upon admission to the Official List

In ordinary shares

ol IR4p each

Ryanair operates a low-tares, no-frills scheduled passenger airline serving short-haul, point-to-point

The placing is fully underwritten by Morgan Stanley Dean Witter and Davy Stockbrokers. Morgan

Stanley Dean Witter and Davy Stockbrokers are acting as joint-lead managers and bookrunners of the

placing. Morgan Stanley Dean Witter is sponsor to the London Stock Exchange listing. Credit Suissa

Listing Particulars were published on 10 July 1998 and are available for collection from the Company

Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Old Broad Street,

London EC2 during normal business hours up to and including 14 July 1998 and at the offices of Bank

of treland and Ryanair Holdings pic referred to below during normal business hours on any weekday

13 July 1998

167,424,814

Printing & pckgng \$139m

supremacy is likely to be

ICO, in which Motorola of the US is the biggest shareholder, has the advantage in launching first. It is planning a \$140m advertising blitz to establish the Iridium brand ahead of its rivals. Globalstar, backed by

service in 12 months, with than 100 cellular operators ICO, the former Inmarsat subsidiary, following in John Windolth, Iridium

head of marketing, dismissed the ICO assertions. "These numbers are highly which is Iridium's partner in speculative. Who knows what the market will be like and what the prices will be in three years' time?" He added: "Whatever our rivals charge, we will be competi-

ICO says it can afford to be cheaper than Iridium because its costs are lower. average \$5bn cost of each ellites because they are in a higher orbit: they

COMMENT

Sale falls

Joint venture

White knight

Consolidation

High Court OKs

Non-core dispose

Higher value move

UK's Madge sells

Sector reshaping

Third home aim

VALUE

\$3bn

\$1bn

\$740m

\$408m

\$219m

\$165m

\$117m

\$100m

Expected issued and fully

fully paid

Ryanaır Heldings pic

Corporate Headqua

Republic of Ireland

Dublin Almort

Amount

IR£6,696,993

\$1.6bn

Granville looks for non-UK investors

96

bringing together regional

trading in the largest and

smallest companies, and it is

the ones in between that are

Moreover, recent history

does not favour the small

company investor. Investors

require premium returns to

compensate for reduced

liquidity of shares, and for

the last decade they received

lowest on the totem pole."

Banking Correspondent Granville, the independent investment banking group, intends to boost its capital base by bringing in new institutional investors, prob ably from outside the UK.

David Williamson, chief executive, said Granville would not follow the path of Goldman Sachs to a public flotation, but wanted to build up its resources to be able to take advantage of market opportunities, especially in a downturn.

With Granville today reporting a 31 per cent increase in pre-tax profits to £4.5m (\$7.3m) in the year to March 31, he said: "Our capital base is being strengthened from within.

But the company was aiming to attract one or two new investors by the end of the year. These were likely to resemble its current institutional investors but would side the UK, Mr Williamson

The Post Office and British Telecom pension funds. both managed by Hermes, hold 17 per cent between them. The BG and Centrica pension funds own 15 per cent between them and Friends Provident Life Office 9.9 per cent. All of these were not only long-term shareholders, but also supported share underwriting and were broking clients, Mr

Granville was willing to see the proportion of shares held by current and former employees, including trust holdings, fall from 52.5 per cent to below 40 per cent, he said. Leonard Licht, the former Mercury Asset Management vice-chairman, who now acts as a consultant to Granville, owns 5.6 per cent.

European PC sector revamps

By Paul Taylor

The decision by Germany's Metro retail group to sell its Vobis, Maxdata and Peacock computer units to CHS Electronics of the US for DM587m (\$323m) last week, signalled the continued restructuring of Europe's personal computer industry in spite of booming sales.

The sale of Vobis, which ranks sixth in the fiercely competitive German PC market, with expected sales this year of DM6bn, is the latest in a series of deals that have seen European companies spin off, sell or close down their PC operations. The deals have further consolidated the grip of big-brand US and east Asian manufac turers on the European PC

market, currently the fastest growing in the world. Among the European companies to quit the PC business, the UK-based group folded its PC operations - including Aquarius Systems, a lowcost German PC manufacturer - into those of its Japanese parent, Fujitsu; Italy's Olivetti sold its PC operations to a group of US

and European investors; and Groupe Bull, of France, has folded its PC business into the Packard-Bell NEC group as part of a three-way deal. Even Siemens Nixdorf of Germany, the last European computer maker to offer a full range, has pulled out of PC manufacturing, selling its PC plant to Taiwan's

The moves come as market researchers raise their estimates of PC sales in Europe this year, forecasting growth of about 20 per cent, substantially faster than either the US, where there are signs of saturation, or Japan and Asia, where sales have been hit by the region's economic problems, The European surge

Acer.

race by corporate purchasers the euro and to become year 2000-compliant, and growing interest among European consumers in the internet and online services.

To some extent, Europe is playing catch-up with the US. where household PC penetration is about 44 per cent compared with about 25 per cent in most European countries.

However, strong market growth has not been enough to protect many PC makers from falling average purchase prices and lower margins, particularly in markets such as Germany, where consumers focus on price.

Despite these pressures some PC makers are riding the sales wave. Dell Computer, the US group that has built its business on a direct sales and build-to-order models, has seen its European sales soar over the past year including the market.

Hewlett Packard has also seen strong growth in Europe, as has Fujitsu Computers, which increased vear-on-vear shipments by 83 per cent in the first quarter. In spite of this, Winfried Hoffmann, joint chief executive, claims to have reduced operating expenses to below those Dell and Compag in

the first quarter. Like other senior executives in the European PC industry, Mr Hoffman believes the next few years will determine which companies and PC brands survive and which fade away.

While some small assem blers may survive by catering for local market niches. it seems increasingly clear that multinationals such as Compaq, Dell and Hewlett Packard and their Japanese rivals will consolidate their grip on the European mar-

Supplier to chip industry warns

By Louise Kehoe in San Francisco

Applied Materials, the world's largest supplier of semiconductor production equipment, warned late on Friday that Asian economic turmoil, compounded by slowing growth in the personal computer industry, would sharply reduce earn-

ings for the current quarter. Excluding a previously announced restructuring charge, the company said it expected to post earnings of between 15 cents and 18 cents a share on sales of between \$850m and \$885m for the third fiscal quarter ending July 26. Wall Street analysts had been projecting earnings of around 21 cents

a share.

The warning struck an ominous note for other equipment producers and reflected a deepening slump in the worldwide semiconductor industry. Chip makers were "delaying orders, rescheduling equipment deliveries and reducing Advanced Micro Devices spending", Applied said.

It blamed the downturn on difficult economic conditions in Asia, a surplus of memory chips and weaker than expected PC sales, together with a shift to lower-priced PCs that carry smaller profit

"Although these factors have been present for some time, their near-term effect on the semiconductor equipment industry will be more severe than previously anticipated." Applied said.

A year ago Applied Materials had earnings, excluding charges, of \$145.2m, or 77 cents a share, on sales of \$1.05bn. The company said new orders for the third and fourth quarters would be "significantly lower" than in the second quarter.

nearly 13 per cent in May from a year ago to \$9.99bn, the lowest monthly sales since February 1995, according to industry data. Market decline of about 10 per cent for the year, with the prospects of an upturn in 1999

fading. Already US chipmakers including National Semiconductor, Atmel and Cypress Semiconductor have issued profit warnings or laid off workers. Last week reported lower than expected

Among equipment makers Lam Research, Novellus and KLATencor have forecast a disappointing quarter. Last month, Lam Research said it would cut 20 per cent of its staff.

Fate of Hubco rests with the IMF

Talks start today over the impending debt crisis in Pakistan, which could prevent the electricity generator from paying its foreign creditors, says Farhan Bokhari alks between IMF staff soon. The sanctions include \$400m in the next two years Rp845m (\$18m) every month

countries, due to begin in Washington today, over Pakistan's impending debt crisis mark the latest in a series of events that could

ing world increasingly star performer. tarnished.

off a crisis over the repayment of its US\$42bn foreign debt and declares a moratorium, Hubco's outlook could deteriorate further amid a half in an effort to overcome possible block on it repaying a deepening financial crisis the foreign portion of its \$1.14bn debt, which represents the great majority, analysts said yesterday.

driven by days of speculation that Pakistan may be close to its first foreign debt default, which government officials say is inevitable if western economic sanctions after Islamabad's nuclear

The growing anxieties are

and officials from the G7 the G7 blocking badly needed multilateral assistance except portions of

Hubco, in which National Power of the UK has a 26 per seal the fate of Pakistan's cent stake, has seen its share Hub Power Company price fall by more than 80 per cent since January. This The company, created at a marks a significant fall from cost of about \$1.5bn to prograce for the second largest duce 1.292MW of electricity, company on the Karachi has seen its image as a stock market in terms of model for infrastructure market capitalisation and development in the develop- one that was considered a

> The fall in Hubco's share prime minister Nawaz Sharif's moves to force the country's private power companies to cut their tariffs by faced by the state-owned Water and Power Development Authority.

> The World Bank has sought "specific information" from Pakistan on its recent handling of the country's private power projects, a move that throws the official position into further

> controversy. WAPDA, which it is esti

to carry out a far-reaching in fuel costs in addition to restructuring, is obliged to the new tariff. buy electricity produced by Hubco to sell on to consum-

ers on its transmission sys-Analysts say WAPDA's failure to begin wide-ranging reforms immediately is one of the reasons behind the pressure on Hubco to cut tariffs.

The government has already cancelled one private power generation project and served notice on eight others for corruption If the country fails to stave price is in part the result of and technical flaws in the way their contracts were signed under the regime of prime minister.

> n May the Lahore high court issued an interim order ruling that WAPDA should pay only Rp1.50 a KW hour to Hubco, cutting the previously agreed tariff of and blocking the company pay their foreign lenders." from paying foreign debts. Last month, the supreme

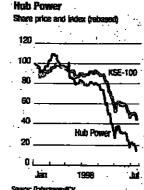
court, ruling on an appeal by Hubco, allowed the company

This month, the supreme court referred the case back to the Lahore high court to settle the tartif dispute by December. Hubco responded by seeking mediation by the International Chamber of Commerce.

"The whole point of the investment we brought was that the equity would get return. Recent events, however, are not a good advertisement for Pakistan," said the two-day detention of a Khurshid Hussain, Hubco finance director. Zahid Chowdhury, senior

analyst at Karachi's Khadim Benazir Bhutto, the former Ali Shah Bukhari brokerage house, who has just changed his advice on Hubco from buy to qualified buy, said: "In the case of a moratorium, the company will no longer be able to repatriate funds on the official rate. They will have to purchase Rp3.17 by more than half, funds on the open market to

Some critics also say the controversy surrounding Hubco would not have done so much damage to its outto repay its external debt look if the government had tests in May are not softened mated will require at least and asked WAPDA to pay pressed to renegotiate the



contracts behind the scenes rather than in public. One of the worst examples of official insensitivity was former Hubco director by the government's notorious ehtesab (accountability) cell, charged with probing cases

of corruption. The director was released without being charged - but only after the incident was reported in national newspapers and many business figures condemned the action. The cell has been criticised for using strong-arm methods to seek lower electricity

tarifis. Mr Hussain agrees, "There were legitimate concerns that the government had, but there were other ways to deal with it like [cutting] the

Authorised

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routes between Ireland, the United Kingdom and continental Europe.

First Boston and Robinson Humphrey acted in an advisory capacity.

(Saturdays excepted) up to and including 27 July 1998 from:

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7 Donegali Square North

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borrowing, the rigours of

investors, thin liquidity and

credit-worthiness - has been

financial crisis, a neat irony

not lost on bankers or gov-

emments eager to promote a

Asian bond market is among

the reasons we are facing

the Asian financial crisis

today," says Donald Tsang,

Hong Kong's financial secre-

tary, speaking at a confer-

currency bonds - and, more

pertinently, wooed by the

attractive returns offered by

borrowing US dollars and

rency – Asian companies, it

is argued, accrued US dollar

debt, especially short-term, and invested in illiquid

Despite Hong Kong's best

efforts, the development of a

local currency regional bond market looks unlikely in the

short term. The more likely

funding route will be that

laid down by Korea earlier

this year. US dollar-denomi-

nated bonds issued by sover-

assets such as real estate.

lending it in the local cur-

ence last week.

regional bond market.

minimal infrastructure.

23

Nordic media Investors less continue to consolidate

houses in Finland.

plained it would constitute

unacceptable concentration

Marieberg owns Dagens

Nyheter, Svenska Dagblad-et's national rival, as well as

Expressen, the country's sec-

ond largest-selling daily. For Schibsted, the pur-

chase is its first big foray

sition of the tabloid Afton-

bladet, the top-selling daily,

Verdens Gang, Norway's big-

The SKr20m (\$2.5m) pur-

chase price, valuing Svenska

Dagbladet at just SKr30m,

reflects a long period of

financial difficulties at the

Stockholm-based publica-

sharply during the 1990s and

is currently below 200,000. A

of editorial jobs, has strug-

The paper's executives

gled to revive its fortunes.

Circulation has fallen

into Sweden since its acqui-

By Greg McIvor in Stockholm

The consolidation of the Nordic media industry has advanced talks to sell its accelerated with the agree holding to Marieberg, the ment by Schibsted, the listed Swedish subsidiary of quoted Norwegian group, to Bonniers, the biggest Nordic buy a 62 per cent stake in media group. However, the Svenska Dagbiadet, Swe- sale was dropped after the den's second biggest broad- Swedish government com-

sheet newspaper. Friday's deal follows a long search by Investor, the of domestic media power. investment vehicle of Sweden's Wallenberg business empire, for a buyer for its 13 per cent stake in the newspaper, which it regarded as non-core. Wallenberg-owned companies control about 60 per cent of Svenska Dagblad-

Birger Magnus, Schibsted executive vice-president, in 1996. Schibsted also owns said the acquisition was "an important step towards realising Schibsted's long-range ambition to become Scandinavia's leading media group". Schibsted intends to divest

part of its stake to Sanoma Corporation, Finland's leading media group, and to smaller Swedish regional newspaper groups. Jaakko Rauramo, Sanoma

chief executive, said his company had the opportunity to series of restructuring buy a 10-20 per cent stake. efforts, including the cutting recently

announced plans to become more aggressive across Scandinavia after unveiling a have nevertheless pledged three-way merger with Hel-sinki Media and WSOY, one return to profit next year.

welcome **Portuguese** offerings

By Peter Wise in Lisbon

Portugal's two latest global offerings have met with strong demand, showing Investor had been in that the appetite of the country's small investors for equity remains voracions. The retail tranches of offerings of Atlantico, a bank, and Siva, a car dealer, were both subscribed many times

> The retail sale of an initial public offering of 25 per cent of Siva, which imports and sells Volkswagen cars, was 172 times subscribed, with investors placing orders for 429m shares, bankers said. Only 2.5m are available in the retail tranche. A further 5m shares are being offered to institutions.

> The Siva offer is to be priced today within a range of Es2,200 to Es2,600 a share. Global co-ordinators are Banco Chemical Finance of Portugal and Salomon Smith

Orders for a total of 744.4m shares in Atlantico, one of Portugal's biggest retail banks, had been made by the end of the pre-registration period on Friday, subscribing for the 17.7m shares on offer more than 42 times, bankers said yesterday.

Banco Comercial Português is offering a total of 32.2m shares in Atlantico, another leading retail bank, representing 29.4 per cent of the bank's capital.

This includes an offer of 14.5m shares to Portuguese and international institu-

The offer is to be priced on July 20 within a range of Es4,000 to Es4,600 a share. This values the offering at Es141.6bn (\$761m) to

The global co-ordinators, Banco Cist, BCP's investment bank, Salomon Smith Barney and Warburg Dillon Read. have an option to increase the offering to 35.4m shares, 32.2 per cent of Atlantico's capital, to cover over-allotments in the institutional tranche.

BCP, which acquired control of Atlantico three years ago and now-owns more Dubal has secured \$420m ity, out of a total \$150m than 96 per cent, plans to project finance and being offered by the same keep its stake in the bank above 60 per cent. The figures for both sales

show that retail demand for shares continues unabated after one in 10 of Portuguese adults applied for shares last month in the country's biggest global offering, the sale of an 18 per cent stake in Electricidade de Portugal, the national power

Cruel irony thwarts Asian ambition By Louise Lucas in Hong Kong year, the US dollar is going to continue to be the primary source of capital, regional bond market has which is somewhat ironic," been thwarted by many says Carlos Cordeiro, a manissues: lack of government aging director at Goldman

debt, a cultural aversion to Sachs Asia. "But that's where the liquidity is today in the transparency imposed by world, and where most governments will turn to for credit."

The latest deterrent -Clearly, they will pay handsomely for the privibrought about by the Asian lege. When South Korea came to the market in April its US\$4bn bond was priced at 355 basis points over US "It is one of the ironies of treasuries: today the spread history that our failure to has widened to about 450 establish a strong and robust

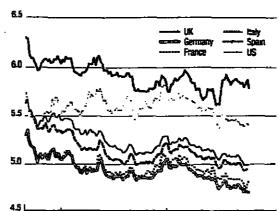
This has deterred other would-be borrowers who had entrance on the international markets earlier this year: Thailand, China, Malavsia and a further tranche Without recourse to local from South Korea.

"Everyone's waiting for the other one to blink. It's the whole face-saving exercise . . . When the market was first talking to Thailand seriously, the price was 275 basis points over US treasuries, today it's over 400. They are gun-shy," says Glenn Kim, senior vice-president (debt capital markets) at Lehman Brothers in Hong

In some cases, mandates have already been awarded appointed Credit Suisse First Boston and Goldman Sachs to lead-manage its issue form. Korea Asset Manage- market - and, by raising some economists are deiro

10-year benchmark bond yields

INTERNATIONAL BONDS LACK OF CREDITWORTHINESS IS THE LATEST OBSTACLE TO A REGIONAL MARKET



ment Corp said last week it funds in US dollars, eliminawould postpone its mooted repeatedly cut back and

deferred its offering. "There was a lot of appetite, but investors that did participate in that are currently significantly under water," says Elizabeth Chandler, a managing director with Morgan Stanley Dean Witter. "So, as is usually the tious about coming back to

When they do return, it emphasis on quality - hence the role of sovereigns at the

tion of the currency risk.

Investors can afford to be fastidious. While the fascination with Asian paper early last year owed a lot to demand for high yields, that market today exists on safer ground - the US. So for potential would-be

Asian borrowers, the outlook is far from bright. Typically, the pall cast by the Asian case, investors who have crisis - whose victims been burned are very cau-included Peregrine, the pan-Asian investment bank whose fixed-income activities in the high-yield market will be strictly on their own of Indonesia resulted in its swiftly. "Markets do not just terms. These will include demise when currencies evolve overnight: they need stringent disclosure, an turned - has fallen across the entire region.

Little has happened to dis-

signs in Korea or Thailand. nerves have been rattled by Russia and the viability of emerging market paper remains weak.

This means there is little discrimination afforded to Hong Kong, where the banksound, economic fundamentals are less ravaged and ratings remain predominantly of investment grade.

It is another reason why Hong Kong would like to see a regional bond market, attracting investors more capable of distinguishing between good credits und

The territory is taking that end-game a step closer, via its own sound regulatory improve both infrastructure (setting up its own version of Euroclear, Asiacleari and establishing benchmarks through the issuance of gov-

Latterly, it has also set up gage debt - described by Mr Cordeiro as "baying a Fannie Mae in your own backinvestor demand when its mandatory provident fund is operational in 2000.

ernment debt.

Useful as that market today, it will not happen swiftly. "Markets do not just considerable resources of capital and people and right but delays are almost uni- forefront of the return to sipate the angst. Just as lighting fires," says Mr Cor-

Gulf smelters secure bank loans

By Robin Atlen in Dubai

Two Gulf smelters, Dubai Gulf and international banks terms as Barclays."

revolving credit facilities for part of its \$725m "Condor" its smelter capacity by 35 per put is 500,000 tonnes, has tonnes over the next three ing rates of 50 basis points

Bank, of the UK, is to lend Dubal \$150m, repayable by December 31 2002, at only 25 basis points above

Libor. Sameer Al-Ansari, Dubal Aluminium (Dubal) and chief financial officer, said: Aluminium Bahrain (Alba). "Within the next couple of have taken advantage of the weeks, between six and fall-off in loan prospects in seven local and international Asian markets to get banks are coming in with unusually fine rates from another \$120m on the same

to finance expansion Barclays is also providing schemes, Gulf bankers say. a \$40m revolving credit facilgroup of banks at only 20 basis points over Libor.

ALBA, whose annual outsecured non-recourse fundabove Libor for an eight-year Under an agreement loan, with 20 local and intersigned yesterday, Barclays national banks to finance a petroleum coke calcination project and a 42,000 cum a day desalination plant.

Blockbuster has rivals reaching for pause button Independent US video stores feel threatened by Viacom unit's revenue-sharing deal, writes Christopher Parkes Revenue-sharing, adopted funds to launch an anti-trust prosperity - from pay-per- enue-generator for the rental

of Blockbuster, the Viacom subsidiary, will be the death of its smaller rivals in the US video rental trade, activists claimed at a

decade, with revenues revenues. already up almost 6 per cent

week.

by 10 per cent this year.

by most of the big studios, and offered to all rental stores, has replaced the old system, in which a retailer would pay \$70 for each video Las Vegas convention last and keep all the rental income. Prices have been Although the industry is reduced to about \$10, and enjoying its best year for a studios take a slice of the

The increased availability after a 4 per cent decline to of popular films is believed it was in his interests to about \$7.5bn last year, ten- to have tempted back many sion is high between Block- rental customers who had been frustrated by ron and the owners of the shortages, and to have had nation's 25,000 independent an immediate impact on Blockbuster's fortunes.

However, independents, a revenue-sharing arrange- out in force at the Video ment developed late last Software Dealers Association year by John Antioco, Block- annual conference, allege buster's new chief executive, that "sweetheart" deals with and the film studios. The the studios have given deal has helped increase the the national chain an unfair 4,000-outlet chain's revenue advantage, and they are passing round the hat for greatest challenges to their

Mr Antioco was emphatic: nil, nada - exclusive deals," he told the convention. He was also contradictory and conciliatory, playing down film distribution via the aggressive statements about Blockbuster's ambitions by chairman, then swearing keep the whole industry

strong. in being part of an ailing industry," he told a polite audience, on its best behavrowdiness from the associa-

tion's leaders. However, while Antioco's speech appeared to soothe tempers, the sour mood persisted as delegates were reminded of the

view cable and satellite specialists. television supermarkets and national retailers such as Wal-Mart which sell cut-price videos, and the looming threat from

ket retailing sectors that still video rental market, to intro-

traditionally resistant to Twelve months ago, for example, the national launch

of the digital video-disc player sales; and complete a (DVD) - with its crisp pictures and hi-fi sound - was that in the 1980s, which widely seen by convention made the video cassette delegates as another threat to analogue tape. However, household appliance and

of players to the end of last month have exceeded 600,000, providing a big enough market in some areas to encourage Blockonflict is common in buster and Hollywood Enterthe video business, one tainment, the chains that Of the few US mass-mar- control 34 per cent of the has a strong contingent of duce discs for rent before

That, backers say, will attract the independent operators; further improve recorder an everyday become an exciting new rev- every street corner.

EMERGING MARKETS BUYERS ARE BECOMING MORE SELECTIVE

Investors in Russian equities look to funds

By John Thornhill in Moscow

Moscow's hotels were bursting with western fund managers besotted by the prospect of buying into the world's last great emerging market. The optimists were then loudly proclaiming that Russia would be one of the greatest investment opportunities of the 21st century. There was much to entice

investors: the stock market was roaring ahead to record a 104 per cent increase over the course of 1997; foreign capital was pouring into the country as banks, companies, and regional governments raised foreign loans; and the economy was finally beginning to grow. This year, the mood has

changed completely. The Asian crisis has frightened investors from all emerging markets, ending the flows of easy money. The slide in oil prices has contributed to an acute government funding that the upside on a short to crisis, which can probably only be salvaged by additional support from the International Monetary Fund. Russia's stock market the government is trying to do on structural reforms," he year, more than erasing

As Moscow's battered stockbrokers face up to this financial carnage, they are beginning to wonder if this is just a one-off correction or if it represents a fundamental reassessment of Russia's raise sizeable new loans,

risk-reward equation. John Paul Smith, Russian equity analyst at Morgan Stanley Dean Witter, argued for most of last year that Russian shares were wildly overvalued in view of the structural defects in the economy. But tonowing the self-off, he says the market is cial markets do bounce after invest in anything at all," now looking very cheap.

Mr Smith says the new government, under prime minister Sergei Kiriyenko, has finally recognised the importance of microeconomic reforms; tackling the non-payments crisis in industry, overhauling tax administration, and implementing a more effective

bankruptcy regime. "I am beginning to think medium-term view is beginning to outweigh the downmore comfortable with what for a good while. says. "At these price levels, investors should be prepared

benefit of the doubt." ing the way for Russia to hardly warm the heart. which would buy more time further financial turnoil in for reform. The IMF, World Asia, a correction on Wall Bank, G7 countries and commercial banks could cobble oil price, Russia has slipped together a financial support even further down most package of \$200n, staving off investors' priority lists. the threat, at least temporarily, of a rouble devaluation. for Russia is so scary that

equity analyst at Brunswick Warburg, the Moscow-based stockbroker, says investors will be far more discriminating when considering which stocks to buy.
"You will have to be

extremely, extremely selective in deciding where to invest," he says. "Investors will be a lot more demanding about issues such as corporate governance. The idea that the market has a short memory and that companies can get away with treating shareholders badly will prove to be false." Some investors argue that

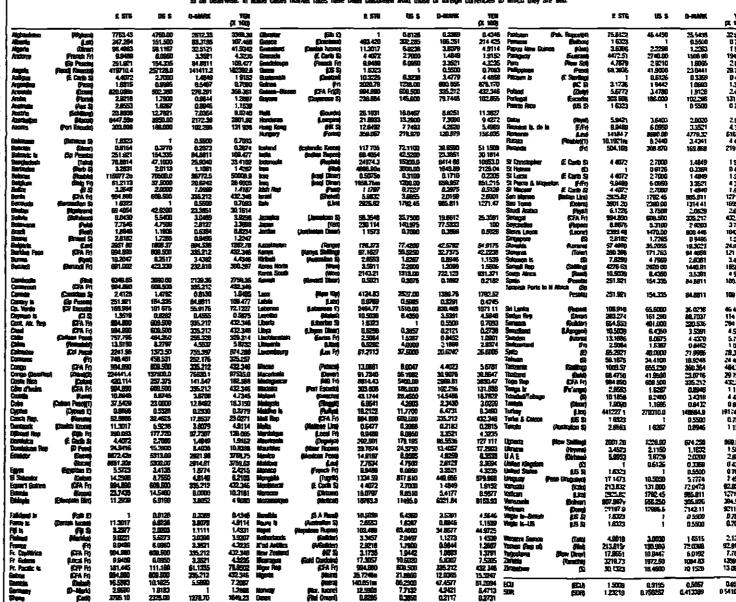
as many as 30 per cent of the former state companies that were privatised in 1993-95 may not survive long-term in the market economy. That helps explain an increasing shift towards direct equity funds, which try to capture the growth potential of new, private companies operating primarily in the underdeveloped service sector.

But it seems many investors have been so badly burned this year that they side. I am becoming a lot are unlikely to touch Russia Concerns about the coun-

try are still alarmingly high. Russia is still largely dependent on an ailing and to give the government the increasingly erratic president. And, for western inves-The IMF now looks set to tors at least, the two most approve the government's likely presidential succesanti-crisis programme, clear- sors in the 2000 elections Add with the possibility of

"The worst-case scenario But even if Russia's finan- you would not want to such a deal, Par Mellstrom, says Mr Mellstrom

Street, and a continuing low

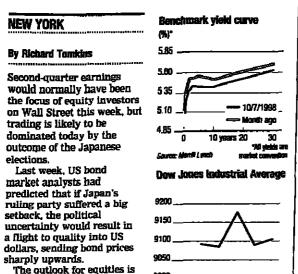


MARKETS WEEK

July 13 - July 19

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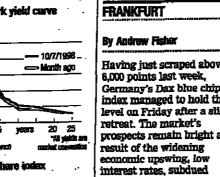
strike at General Motors, and inventory build-ups in the first quarter.

But what is bad for equities could be good for Treasuries. The 30-year long bond is close to record highs investors will get a sense of against the background of a slowing economic tempo and diminishing worries about

Benchmark yield curve LONDON 7.75 By Philip Coggan 7.25 ast week's Bank of England monetary policy meeting may have passed without a rate rise, but the market's 5.75 attention will quickly turn 5.25 __ to the next one. 0 5 years One clue may be provided by the minutes of the June meeting, which will be FTSE All-Share index released on Wednesday and should show the balance of

power between the hawks and the doves. In addition, there will be the normal mid-month batch of economic data, including the retail prices on Tuesday. Analysts are looking for the underlying rate to edge down to 3 per cent from May's 3.2 per cent, although that will still be well above the government's target.

The most-watched data of the week seem likely to be average earnings, one of the key factors behind June's rate rise. The consensus forecast is that the annual rate of growth will be unchanged at 5.2 per cent, more than the Bank deems compatible with a 2.5 per



Uncertainty over Asia remains, especially with investors unclear as to v<u>hether Japan can finally</u> bring its manifold economic and financial problems under control. The German market benefited last week from signs that Japan was cent inflation rate. Internationally, the ready to act, but Tokyo has markets will react to the often disappointed before. outcome of the weekend Upper House elections in It took a knock on Friday when SAP, the busines software group, said it had been hit by the Asian crisis Japan and to the US trade

numbers on Friday, which

deficit, thanks to the Asian

crisis and the strong dollar.

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are expected to show a

further widening in the

clouds on the horizon.

but overall sales and profits

still showed marked growth

and the shares pulled back

COMPANIES DIARY

Coca-Cola

Beverages

makes

debut

facilities

of the shares.

TUESDAY

by 9.3 per cent.

Shares will start trading at

125p-160p range predicted by analysts, with institutions

scrabbling for the 20 per cent

of shares on offer as it will

be an essential buy for track-

• General Motors the US

carmaker, is expected to

report second-quarter earn-

ings per share sharply lower

than a year ago, while rival

the other of the Big Three

automotive groups, will fall

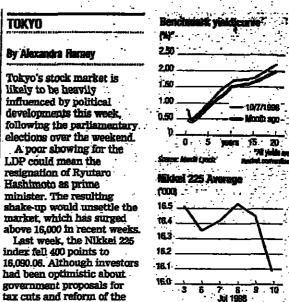
cents per share, down 74 per

from the day's low.

Having just scraped above 4.75 index managed to hold this level on Friday after a slight prospects remain bright as inflation and the buoyant company profit outlook. but there are some dispiriting

> Also causing concern are confusion in Russia over its finances and the political durability of president Boris

After its surge so far this year, therefore, many analysts expect the Dax to mark time for a while before gathering the energy for a renewed rise.



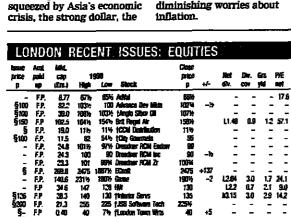
likely to continue in the eshuffling after the election. Visits from foreign bankers are likely to focus attention on the financial sector. The Bank of International Settlements holds its annual central governors meeting in Tokyo

plan. This pessimism is

tax system, the market was

disappointed as politicians

failed to present a concrete on Monday. Alan Greenspan, US Federal Reserve chairman, will meet with Masaru Havami, Bank of Japan governor, the same day. The East Asian Pacific Central Banks executive meeting, which starts on Tuesday, will include central banks of Hong Kong, Indonesia, and South Korea.



less promising, since any

damaging for world trade,

and a stronger dollar will

time when confidence has

already been shaken by a

stream of profit warnings.

how far profits have been

gets fully under way,

As the reporting season

depress US corporate profits

deepening of Asia's

economic crisis will be

rights offers Clasing price p 29/7 30/7 21/7 20/7 29/7 22/7 Gold Mines Index (27) 979.38 -8.3 29.72 100.00 2.37

740.6 34.5 38.3 27.3 0.40 11.3 29.7 54.7 30.1 14.1 14.7 ar Regional Indices Africa (10) Australesia (7) North America (10) 1042.41 -5.6 8.49 7117.09 -3.4 2.87 929.59 -10.8 18.37 28,56 9,65 61,50 4.43 40.35 2.94 7.34 1.32 39.87 STOCK INDICES

\$599.7 \$569.7 \$509.6 \$500.4 \$590.3 \$165.9 \$508.8 \$165.8 \$69.9 \$628 \$503.3 \$622.0 \$503.3 \$588.5 \$508.6 \$4789.2 \$688.6 \$1379.4 \$977.2 \$677.7 \$663.7 \$642.7 \$822.2 \$600.0 \$422.5 \$600.0 \$1379.4 \$977.2 \$677.7 \$663.7 \$642.7 \$822.2 \$600.0 \$422.5 \$600.0 \$1379.4 \$645.5 \$642.7 \$262.0 \$205.8 \$244.7 \$349.4 \$64.5 \$2578.9 \$259.8 \$259.8 \$259.8 \$250.18 \$288.09 \$153.79 1413.63 1418.90 1417.07 1420.05 1426.40 1577.31 1286.77 1577.21 31.14 286.80 2468.70 2598.65 2584.85 2580.47 2598.85 2236.40 2586.85 2046.47 1282.31 1290.46 1236.46 1236.85 1286.80 1285.73 1236.46 871.93 1236.46 874.94 2586.83 304.8 305.25 3382.8 3389.4 3384.7 3236.4 3394.7 48.4 105.63 105.30 155.94 105.16 105.39 1867.77 93.31 141.84 45.15 144.14 142.37 143.85 143.87 143 FTSE 100 FTSE 250 FTSE 250 ex IT FTSE 350 FTSE Separation ex IT FTSE Separation ex IT FTSE Partigling
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Shares in Coca-Cola Beverages, the new Coke anchor bottler for central and eastern Europe, make their debut on the London Stock Exchange today, with trading in Sydney tomorrow. There are plenty of economic uncertainties in the region covered by the new company, and it is unlikely to pay a dividend for the foreseeable future as it invests in distribution Also, its success is heavily dependent on its relation-ship with the Coca-Cola Company, the Coke network's parent in Atlanta, which will own 50.1 per cent

160p, the upper end of the Afizzing first day's trading is expected for Coca-Cola Beverages

THE REAL PROPERTY.

anglogold



Acquisition of Eastvaal by Anglogold by way of a SCHEME OF ARRANGEMENT IN TERMS OF SECTION 311 OF THE COMPANIES ACT ("THE SCHEME")

The Scheme of Arrangement in terms of which:

ANGLOGOLD LIMITED (Incorposited in the Republic of South Africa) (Registration number 03/17154/06)

existing shareholders of Eastvaal will receive new Anglogold shares; and

Eastvaal will become a wholly-owned subsidiary of Anglogold,

was sanctioned by the High Court of South Africa (Witwatersrand Local Division) on 23 June 1998. All necessary documents were registered by the Registrar of Companies on 10 July 1998 ("the Record Date").

Accordingly, all conditions precedent have been fulfilled and the Scheme becomes operative with effect from today, 13 July 1998. The listing of Eastvaal on the Johannesburg Stock Exchange was terminated at the close of trading on 10 July. The existing share certificates of Eastvaal ceased to be of any value after 10 July 1998, other than for the entitlement upon their surrender, to receive the abovementioned Scheme consideration.

Existing members of Eastvaal will receive 2,30 new Anglogold ordinary shares for every 100 shares held on the Record Date and/or a pro rata number of Anglogold ordinary shares. Fractions of new Anglogold shares will not be allotted. In lieu thereof, Eastvaal members will receive the cash equivalent representing the value of such fraction based on a price of R195,00 per share.

The Anglogold share certificates and fractional payments, if any, due to members of Eastvaal who surrendered their certificates prior to the Record Date will be posted on

Members of Eastvaal who have not already lodged their share certificates must do so under cover of a surrender form in order to receive their Anglogold share certificates and cheques for fractional payments, if any.

A further surrender form will be posted, together with a copy of this announcement, to all members entitled hereto.

Johannesburg 13 July 1998

ndependent Financial Adviser to Anglogoid Warburg Dillon Read

independent Financial Adviser to Eastvaal FirstCorp Merchant Bank Limited

Legal advisers Webber Wentzel Bowens Maponya Inc.

joint Sponsoring Brokers in South Africa Warburg Dillon Read Smith Borkum Hare

Sponsoring Broker in the United Kingdom Warburg Dillon Read

To Advertise Your Legal **Notices**

Please contact

Melanie Miles

011Tel: -44 0171 873 3349

Fax: -44 0171 873 3064

숅(RISH PERMANENT

2100,000,000 Floating rate notes 1998

Notice is hereby given that for the interest period from 9 July 1998 to 9 October 1998 the notes will carry an interest rate of 8.175% per annum. Interest payable on 9 October 1998 will amount to \$206.05 per £10,000 note and £2,060.55 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

US\$50,000,000 Bance de Boston S.A. ice is beneby given that for the at right Promest parcel from July 13, 1986 a many 13, 1986 the Motes will carry a risk talls of 8,505% per annum, Th By The Chees May Ochre

ings of \$1.50, down 9.3 per demand from computer man-cent. Analysis reviewed ufacturers and subdued ecotheir predictions for GM at nomic conditions in Asia. the end of June after the company warned that the to report second-quarter strike at its two Michigan assembly plants will cut diluted, compared with 92 earnings by \$1.79 a share in the second quarter.

The announcement surprised analysts, whose end- 62-76 cents range. June forecasts, including the impact of four weeks of Chrysler is seen rising by strike, originally called for 101.4 per cent. Meanwhile, earnings of \$1.55, down 21.9 analysts forecast that Ford, per cent from a year earlier. For the rest of 1998, the half, especially in Europe three US manufacturers and the US. would continue to benefit According to the IBES con- from a favourable consump-

GM will report earnings of 51 said. cent on the previous \$1.99. • Intel is unlikely to continued to slow in May. Chrysler is expected to impress when it reports sec-\$1.41. Ford is expected to weaker industry trends, a year earlier and from \$10.4bn report on Wednesday earn-continued slowdown in in April adding to recent

The company is expected earnings of 68 cents fully

cents a year earlier, accord-However, Intel was upbeat ing inventories in the recent

According to the IBES conrom a ravourance consump
sensus of analysts forecasts, tion environment, analysts conductor industry Associasecond quarter.
tion which confirmed the Ameritech's revenue is pace of semiconductor sales

The SIA found that elohal report today (Monday) dou- ond-quarter results, as the sales fell to \$9.99bn (£6.13bn)

evidence that 1998 will end with a year-on-year contraction in sales, AFX, New York.

THURSDAY

ing to the IBES consensus of • SBC Communications is 37 analysts' forecasts in the expected to report secondquarter earnings per share of 50 cents (45 cents), while on the prospects for declinearnings for Ameritech - for which SBC has made a \$60bn quarter, predicting also sea- bid - are put at 62 cents (56 sonal strength in the second cents). They added that SBC's offer will remain the focus for followers of the Analysts referred to a regional bell operating comrecent survey from the Semi- panies over the forthcoming

forecast to have improved by about 7 per cent to \$4.3bn; SBC's revenue is seen growreport today (Monday) dou- ond-quarter results, as the sales fell to \$9.99bn (£6.13bn) ing by a similar extent, to bled earnings per share of company succumbs to in May against \$11.46bn a \$6.5bn, according to analysts' estimates. AFX. New

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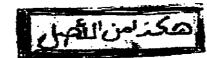
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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY Booker ADR \$1,3074 Energy Technique 1p Hillsdown ADR \$0.598 Kingfisher ADR \$0.6887 Land Securities 20,4p Leeds 2.4p Murray VCT (2) 2.56p

National Power 71/49% Nts 2001 \$71.25 Prowting 2.5p Sanderson 2.7p Severn Trent 111/2% Bds 1999

Smart (J) 2.7p Victoria 3.5p Walker, Crips, Weddle, Beck

TOMORROW British Gas Inti Finance 614% 8ds 2003 \$82.50 Fluor \$0.20 Grevcoat 1.5p Hay (N) 1p Hay & Robertson 5% Prf

1.75p Kobe 6%% Bds 2003 \$318.75 People's Construction Bank of China FRN 1998 \$310.31 Do FRN 2000 \$315.34 Sanwa Australia Finance FRN 2005 \$3048.09 Shalibane 3p Tate & Lyle 5.3p Do ADR \$0.3524

■ WEDNESDAY JULY 15 Aberdeen Convertible Income Tst 1.6p Albion 0.8a

American Medical Intl 9%%

Treasury 13% 2000 £6.50

Unsc Ln 2011 £4,9375 Anglo American Coal R10 Barclays Bank Index Certs 1998 £1.91 Do 12% Unsc Cap Ln 2010

BCE \$0.34 Churchbury Estates 4.2% Cm Prf 2.1p City Mortgage Rec 2 FRN Oct

2023 £44.16

City Mortgage Rec 3 FRN Oct 2023 239.27 Do Class B FRN Oct 2023 £72.43 Do Rec 4 Class B FRN Aug

2028 272.43 Do Rec 5 Class A Defd FRN WPP 1.43p Sept 2032 521.62 Do Class B FRN Sept 2032 £82.71

Do Rec 6 Class A FRN Mar 2029 £47.47 Do Class B FRN Mar 2029 £72.43 Dares Estates 101/4% 1st Mtg Deb 2012 £5.125 Edinburgh Inv 3%% Deb 1998 £1.875 Electricity Supply Board 81/4%

2013 124,125 Energy Capital Inv 6p Franklin Res \$0.05 Govett Strategic Inv 101/4% Deb 2016 £5.1875 Granada FRN 1998 52066.59 Greece 5% Natl Ln 1907 5p Do 5% Nati Ln 1907 Bols of 1965 62.5p

Guangdong Devipt Fd \$0.05 Helical Bar 51/4% Cv Rd Prf Ireland 71/2% Cap 1999 £3.75 Ireland 9% Govn Bd 2001

Irish Permanent 8%% Bds 2004 E4.21507 Johnson Fry Utilities 1.32o Do Income 1,32p Landround 1.6o Locker (T) 0.7p London Secs 2p

Mitsubishi Chemical 53:% Nts 1998 \$57500 Motorola \$0,12 Murray Intl 3.9% Prf 1.95p North Surrey Water 4% Deb

Occidental Phim \$0.25 Perkins Foods 8p Cm Pri 4p Quaker Oats \$0,285 Rank Group Finance 6%% Gtd Nts Jan 2008 \$31.875 Do 73/4% Gtd Nts Jan 2018 SmithKline Beecham 1.35p & 1.0750

Do 4%% Deb 52 125

Do 51/4% Deb \$2.625

Do ADR \$0.2257 Suzuki Motor 4%% Bds 1999 Y475000 Sweden 11% Ln 2012 £550 Treasury 81/2% 2007 £4.25 Value Realisation 1.4% Cv Unsc Ln 2006 £1,40 Yokohama 64% Bds 2003

THURSDAY JULY 16 Abbey Natl Treasury 71/2% Gtd Nts 1998 C\$75 Aberdeen European Inv 0.5p Angle Irish Bank IC1 85p Anglo & Overseas 41/2% Cm Prt 1.575p BP America 91/4% Gtd Nts 1999 AS92.50

Commonwealth Bank of Australia FRN July 1999 \$282.81 Do FRN July 2000 \$282.81 European Inv 9% Ln 2001 £225 Gooch & Housego 0.5p Hongkong & Shanghai Primary FRN \$74.25 Hozelock 3.4p Le Riche 20o NatWest Non-Cum Pri Series

A \$0.532 Do Series B \$0.4375 Do Primary FRN Series A \$292.24 Northern Investors 6p Saatchi & Saatchi ADR \$0,1228

FRIDAY JULY 17 Abbey Natl Treasury Gtd FRN 2001 Lire66,996 Howle 0.3p Hyder 8%% Bds 2006 £87.50 Index Linked 21:% 2024 \$2,0426 Jennings Bros 3p St Paul Cos \$0.25 Scottish inv 2.15o Whitbread 19.2p

SATURDAY JULY 18 Celtic Residential Irish Mtg Secs Class B FRN 2030

E SUNDAY JULY 19 Index-Linked 2% 2006 22.29 Ireland Var Rate Treas 8d 2000 121.48

UK COMPANIES

■ TODAY COMPANY MEETINGS: Ensor Holdings, Elard Hse, Roundthorn Industrial Estate, Dallimore Rd, Manchester,

BOARD MEETINGS: Finals: Ashteed Druck Ellis & Everard

Olim Convertible Tst.

TOMORROW COMPANY MEETINGS: Airflow Streamlines, Northampton Moat Hse, Silver St, Northampton, 12.00 German Smaller Compa Inv, Hill Samuel Asset lanagement, 10 Fleet Place, Limeburner Lane, EC4, 12.30 Great Portland Estates, Le

Meridien, 21, Piccadīlly, W1,

Locker (Thomas), Locker

Process Solutions Conference Room, Church St., Warrington,

BOARD MEETINGS: Goode Durrant Trifast

WEDNESDAY JULY 15 COMPANY MEETINGS: Aberdeen Europe Investment, One Bow Churchyard, Cheapside, EC4,

Acal, Pinners Hall, 105-108, Old Broad St, EC2, 11.00 British Telecommunications, York Barbican Centre, Barbican Rd, York, 10.30 Expro International, Butchers Hall, Bartholomew Close, EC1,

10.00 Plysu, Robert Fleming & Co. 25, Copthali Avenue, EC2, 2.30 Sims Food, Letchworth Hise,

Chesney Wold, Bleak Hall, Milton Keynes, 12.00

rinais: First Technology Interims:

BOARD MEETINGS:

Bullough Scottish American Im THURSDAY JULY 16

COMPANY MEETINGS: Airsprung Furniture, Canal Rd, Trowbridge, Wiltshire, 12.30 Amberley, Pinsent Curtis, 3, Colmore Circus, Birmingham, 12.00

Gartmore Shared Equity, Fenchurch Exchange, 8
Fenchurch Place, EC3, 10.00
Marks & Spencer, Grosvenor House Hotel, Park Lane, W1, 11.00

orthumbrian Fine Foods, Dukesway, Team Valley, Gatesheed, Tyne & Wear, 10.30 Yatas Brothers Wine Lodges, New Pack Horse Hotel,

Bradshawgate, Bolton, 10.30

BOARD MEETINGS: Banks (SC) McKay Secur Reliance Security Smith (D) Smith (WH)

FRIDAY JULY 17 COMPANY MEETINGS: Chesterfield Properties, 38, Curzon St, W1, 11,00

Company meetings are annual general meetings unless otherwise stated. Reports and accounts are not normally available until six weeks after the board meeting to approve the preliminary

This list is not comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

CONFERENCES AND COURSES

CONFERENCES

Doing Business In Azerbaijan to address: His Excellency Heydar Aliyev, Preside Azərbaljan Republic Delegation includes: - Nacir Nasibov, Chairmen, State Property Committee Fued Akhundov, Cheirman international Bank of Azerbai Elman Rustemov, Chairman, National Bank of Azerbaijan Ershad Aliyev, Minister of Agriculture Namik Nasrulayev, Minister of Economy Nedir Aldemedov Minister of Telecommunications

Contact: Serah Ritchie Tel: +44 171 453 2038 Fex: +44 171 323 4296 Email: earsh, fitchie@ibcuk.co.uk Online: www.lbc-uk.com/FE1101 JULY 29 10.00-13.00

Fabian Business Seminal 'Building UK Competitiveness' Rt Hon Margaret Beckett MP,

Peter Ager, CBI Chris Humphries, BCCI Bridget Rosewell, Business Strategies Richard Stokes: ICL Price: £176.25 inc VAT one: 0171 222 1280 Milibank Media Centre. LONDON

JULY 30 DEFENCE: The Strategic Defence Review Part 1 of this conference was held as a highly successful strategy round table in

Part 2 looks at the implications for the defence industries of the Review itself as well as at its consequences for the armed forces and British Defence and foreign policy. Some 10 place remain available. Sponsored by EDS, GEC-Marconi, eCoopers. Devised by Lord Chalforn and Paul Beaver. Contact: Cityforum Ltd Tel: 01225 466744 Fax: 01225 442903

LONDON SEPTEMBER 1 - 4 Japan and Europe Topics: implications of Japan's economic crisis, reforming Japan's financial acctor, ensities access, premoting joint ventures, inward investment, and implications of EMU. Instructive international conference with 50 well-informed participants from business and governo Contact: From Martin. Wilton Park. Wiston House, Steyning. West Sussex BN44 3DZ, England Telephone: +44 1903 817777 Fax: +44 1903 815931

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SEPTEMBER 13 - 18 17th Congress of the World **Energy Council** der energy event of century. Focus on energy, technology, sustaining world development into next millenium, Ței (toli-free): 888 324 4932 Tel (outside U.S.A.): 202 331 0415 www.wec98congress.org

Honston, TEXAS - USA SEPTEMBER 13 - 19 Cambridge Seminar 1998 Strategic Marketing of Financial Services Survival into the 21" Century
Speakers include Sir Brian Pitman, Lord Thomas, Lord Butlet and Sir Roband Smith. Group case study work forms major part of week.
5 days, £2450 + VAT (includes all naterials, accommodation and meals)

Faz: +44 1227 453547 Christ's College, CAMBRIDGE SEPTEMBER 15 & 16 The 2nd FT World Water

Contact: Tracey Robinson

Tel: +44 1227 818600

Confirmed speakers include Mr W J Alexander, Thames Water pic, Mr Preben Mielsen, Asian Development Bank: Mr Jan Prins, ABN AMRO Bank NV and Dr Leon Awerbuch, Overseas Bectael. Contact: Sarah Gibb, FT Conferences Rel: (+44) 171 873 3450 Fax: (+44) 171 873 3067 Empil: sarah.gibb@fl.com LONDON

Intelcom 98 - The Wireless The Wireless Economy Conference and Exhibition uniquely for the first time represents the totality of the amphoring European mobile and wireless communications inclust Supported by 18 key association has 100 CEOs and VPs unveil their tuture visions for the mutibilism cellular, mobile data and internel, mobile satellite, paging trunked radio, mobile e-commen vireless access, network management, and broadband multimedia content sectors.



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BRIGHTON OCTOBER 28 The 3rd Annual FT Diamonds Солбегелсе

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R Rothwell, BHP Diamonds Inc. Mr Ryo Yantaguchi, Gents International Co Ltd: Mr Prancois Curiel, Christie's Europe: Mr Mark Cockle, Diamond costi sod a ecotor repr from De Beers. Contact: Sarab Cibb FT Conferences Tel: +44 171 873 3450 East +44 171 873 3067

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Email: sarah pibb@ft.com

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Gleneagles Hotel, Scotland DECEMBER 2-4.

Venture Forum Europe '98 Arranged by FT Conferences and Venture Economics, the 9th annual sture Forum Europe will provide Industry leaders with an important opportunity to increase their ing of the European capital starketo Contact: Sarah Gibb FT Conferences Tel: +44 171 873 3450

Emeil: sarah gibb@ft.com · LONDON DECEMBER 7 & 8 The 17th FT World Pulp and Paper Conference Distinguished speakers include Dr Class Dahlback, President and CEO,

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Investor AB and Chairman, STORA AB: Mr John F McGovern, Executive Vice President and Chief Financial Officer, Georgia-Pacific Corporation; Mr Hakan Ostling, European Pulp and Paper Analysi, Goldman Sachs unional and Mr Eugene Van As, Executive Chairman, Sappi Limited. Enquiries: Joenna Edwards FT Conferences Tel: (+44) 171 873 3374

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Valence of

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All eyes on Japan

The results of the elections should be known this morning, but their implications work through the forex mar-

If the ruling Liberal Democrats have done badly, Ryuister, may even contemplate

resigning, a step which could set the markets alight.

"It's very hard to say whether LDP problems would be good or bad for the yen," said Paul Meggyesi at Meanwhile, the rouble is Deutsche Bank in London. "But the election result is what everyone is waiting

The elections are particularly important because the yen's recent weakness has helped tug down commodity-based and emerging market

currencies across the world. When the US Federal Reserve joined forces with the Bank of Japan in an intervention to defend the yen last month, it was scrutinised for the rationale widely seen as an attempt to for the UK's last rate rise.

WORLD INTEREST PATES

buy time for the currency until after the elections. That time has now elapsed to Japan's upper house and the signs are of a febrile spell ahead. Mr Hashimoto is sched-

may take several days to uled to go to Washington to meet President Clinton on July 22. It had been thought he would use the time between the elections and his visit to develop policies on fiscal and banking reform

> likely to remain in the spotlight after signs last week that Russia's liquidity crisis is getting worse.

The markets will also be interested in the release of US consumer prices on Tuesday and trade figures on Friday. On Wednesday the UK
will publish average earning
figures, as well as the June
minutes for the Bank of committee, which will be

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Эшторо			-		<u>-</u>								100
الأشين	(Set)	20.8808		720 - 861	21.0073				20.6582			38 37	
Religion II	(85)	81-21 (3		536 - 5 68	67.692				50.5836		58,9176		
and any	(014)	11.3017		973 - 061	11,3751	11.2950			11.1953		10.9943	3.5	
I niand	(FIA)	9.0221		141 - 301	9,0750				8.9299		8,8845	3.7	_
7800	(FFI)	9.9439		456 - 521	10.0064				9.8435		95705	. 38	•••
STEEL!	DIA)	2,9680	-0.0142	668 - 691	2,9867	2,9648	2,9577		2.9365		2.655	36	
18828	(Dr)	453,420	-3.755	948 - 892	496.093	492,770	465.59		493,837	-5.1	510.607	-3.5	
أوعاد	网	1,1797	-0.0054	785 - 806	1.1858	1.1782			1.1752		1,1476	27	
alf	(4)	205.82		356 - 77 5	2942.81	3922.15	2280 22		2906.57	28	2531.43	32	
sentitary	(LFr)	61.2113		636 - 589	61.6920		61,0102		80,5836		58,9176	3.7	
elberfasels	Я	3347	-0.0162	44 - 49	3.3659	3.3429	3.3341		3,3029	4.3	32174	1.6	
OLASSA	(\$600)	T25003	-0.0767	831 - 974	12,5764		12.5582		12.4999	3.0	12,2689	26	95
MJBČS _P	(Es)	3007-000	-1,398	452 • 764	305.548	303,450	302,778	3.3	300,925	35	22,772	3.5	91
	(Pb)	251.92 1	-1.109	835 - 007	253.630	251.620	251,245		249.766	34	243.138	3.5	76
redê l	(5%)	13,1665	-0,0364	572 - 60 0	13,2583	13,1546	13.132	3,3	13.0534	3.5	12,7732	3.4	B
terior de	<i>व्यक्त</i>	2,5084	-0.0035	<i>169 - 198</i>	2.5225	2,5043	2.4968	5.5	2.4722	5.8	23735	5.4	194
K	Ø		-	-	-	-	-		-	•	-	-	105
3	_	1.5009	-0.0057	998 - Oto	1,5103	1,4958	1.4986	3.4	1.4874	38	1.4482	35	
DR	-	1.23219		-	-	•	-		-	•	•	-	
ericu													
90000	(*252)	1.0315		311 - 318	1.6338	1.6269		-	-	-	•	-	
ed .	(RS)	1,5948	+0.0011	940 - 956	1.8987	1.8929	-	-	-	•	-	-	_
neda -	(CS)	24128		118 - 138	2.4170	2,4046	2,4073	ਬ	2.3064	2.7	2.3545	24	80
2002	(1000 Page)	14.6197		120 - 274	14.6345	14.5966		-15.1	15.162	-154		-15.8	_
X	, (3)	1.6323	+0.0019	319 - 327	1.6342	1.0289	1.6297	1.9	1.6238	21	1.5956	20	113
	a East/Africa												
بثرف	/AS	2,8553		535 <i>- 57</i> 0	2,6695	28481	2.8607	21	2,8402	23	2.597	22	83.6
og Kang	(462)	126492		453 - 531	12,6634	12,6248	12,6646	-15	127107	-1.9	13.1395	-3.9	•
k.	(94)	88.4054		721 - 367	89.4390	6 <u>9.1960</u>		-	•	-	-	-	-
	(594)	5.9632		780 - 904	5.9965	5.9744			****	_:			-
ian Angla	<u>_m</u>	230,114		016 - 211 446 - 635	231,090	229,040	228.73	7.2	225.894	7.5	213.659 7.6503	7.2 -10.0	110.7
r Zestand	(MS) (MZS)	6.8541 3.1736		706 - 765	7.4064 3.1807	8.5997 3.1590	7.002 3.1774	-83 -15	7.1\$25 3.1822	-11.4 -1.1	3.1979	-88	94.2
losioes Insines	(Pess)	88.3835		100 - 765 502 - 367	68.7357	5.1350 68.0461	53.8308	-1.3 -7.7	3.1922 89.8615	-1.1 -8.6	74.8482	-84	942
el Anabla	680	6.1228	+0.0074		6.1294	6.1111	6.1158	1.3	6.8997	15	8.0302	15	
CEDORS	SSP Section	2.8182	+0.0181		28936	2.2087	2,8192	-14	2819	-0.1	2.8272	-83	- :
an Africa	(A)	10.5039		931 - 146	10.5189	10.2413		-12.6	10.7415	-80	11.1432	-6.1	-
nti Korea	(Mari	2143.21		779 - 863	2153.84	2128.78			-		.,,	-u.	
	(12)	56.1675	+0.0997		S6.2387	56.1185	3836	-46	56.8523	-35	57.1647	-1.8	-
and .	66	68.4750	+0.0618		68,7890	67.9450	E0.4484			-19.2		-15.5	

1.3 102.5 1.5 102.3 1.5 104.3 1.7 105.4 1.8 105.2 1.8 105.2 1.8 105.3 1.8 105.3 1.9 105.5 1.4 105.5 1.5 105.5 1.6 105.5 1.6 105.5 1.7 105.5 1.8 105.5 1.8 105.5 1.8 105.5 1.8 105.5 1.8 105.5 12.55(1 36.55) 4.6564 4.6564 1.7547 711.654 1.7644 1.7644 1.7644 1.7660 182.05 152.06 12.7271 37.3145 5.5669 5.5061 8.063 1.3519 1783.7 57.315 2.0367 7.6068 185.359 153.235 1.5233 1.5233 1.6230 1.0917 20 19 15 20 21 21 21 21 21 22 10 12 13 14 18 -15 12,7704 \$7,84 6,9179 6,9843 1,8181 303,985 1,3828 1,791,73 37,44 2,046 7,7088 185,81 154,172 8,6581 1,5285 1,628 1 12.8690 37.8780 6.9808 8.1428 7.5057 8.1428 7.5050 1.3849 1805.65 7.7810 187.284 7.7810 187.240 8.1349 1.548 1.548 1.548 1.568 12,7890 37,4700 8,975 5,9225 6,995 1,8782 13757 1788,00 37,4700 2,0474 7,7002 185,830 184,230 8,0607 1,5239 1,5239 1,5239 12,7921 87,5000 6,0236 5,5273 1,8163 802,295 1,8163 1792,467 7,7152 165,000 154,355 1,5367 1,5367 1,5367 1,5367 0.9085 1.1608 1.4782 8.9565 -8,0005 995 995 -8,0007 606 - 610 +0,0049 779 - 784 +0,019 540 - 590 0,9985 1.1622 1.4795 8,9590 0.9995 1.1605 1.4744 8.9540 . 0.8 -16.3 -1,4772 8.0785 1,4767 93565 -0.0008 250 - 273
-0.0002 488 - 488
-0.0010 100 - 500
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+0.000 - 000 0.5 -3.4 -12.1 5.4 -9.3 -1.9 -8.1 -0.5 -2.3 -13.8 1,6233 7,6293 48,77 138,1 4,3803 1,9527 43,0285 3,7589 1,7385 8,6225 1,8213 7,7488 42,4450 3,6610 140,250 4,2275 1,9361 41,7000 3,7597 1,7210 6,2830 1304,000 34,4010 41,1000 1,8259 7,3713 -62,95 -146,345 4,2933 1,9473 42,219 3,7927 1,77297 6,5086 34,57 42,55 1,6328 7,7499 42,5390 3,6734 141,710 4,5490 1,9467 42,1000 5,7511 1,7769 5,4400 1320,00 42,1900

MONEY RA	TES							
占 18	Over night	Çne Quoditi	Time Nije	23x 9000	One Year	Lomb. inter.	Ols.	Rep £28
Belgium	35	3%	31	31	32	6.00	2.75	
weekago	34	34	30	31	3콩	6.00	2.75	
France	35 35 35 36 36	3 <u>4</u> 3 <u>4</u>	55 35 35 35 35 35 35 35 35 35 35 35 35 3	32	312	4.60	-	3.3
weelago	31	3复	3 <u>e</u>	3%	38	4.60		3.3
Germany	38	34	38	3 <u>11</u> 37a	31	4.50	2.50	3.3
weekago	32	34	3 <u>E</u>	339	32	4.50	2.50	3.3 6.7
ireland	64	6 <u>1</u> 6 <u>3</u>	63/4	5 <u>\$</u> 5 <u>\$</u>	4	-	-	6.7
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listy .	514	4%	42	45	4	6.50	5.00	4.9
week200	44	4%	47%	47	44	6.50	5.00	4.9 3.3
Matherians	314	34	3 <u>2</u> 3 <u>8</u>	33	374	-	2.75	3.3
weekago Switzeriand	3 <u>\$</u> 216	34	3 <u>8</u> 2%	3	38 24	-	2.75 1.00	3.3
Wedizio	27a 2	21 21	27. 23.	2 <u>1</u> 214	28 28	-	1.00	
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weelago	572	54	5%	51	5%	_	5.00	
Japan	7	7	44	- F	Ē	_	0.50	
weekage	5 <u>8</u>	2 8	ī	2	3	-	0.50	
M \$ LIBOR BBA Lee	nden							_
interbank Fixing	-	5%	51	5%	5	-	-	-
weekago	-	54	Su	574	58	-	-	-
US Dollar CDs	-	5.43	5.48	5.50	5.56	-	-	-
weekago	-	5.44	5.45	5.51	5.59	_	_	-
EC9 Linked Da	-	416	4%	414	44	-	-	-
wyskago	_	4%	4%	416	4%	-	-	-
SDR Linked De	-	32	35	35	44	-	-	
weekago	-	3差	32	38	4	-	-	-
Lancon Interferoi Aning so Mid rawn ser stepen for the	tr (LBCR) decemb	is the AG Manage Ballet	A Longina d a, 185 CD4,	E31 & SC	ar frans. 12 Ludes, Di	poeta (P4		

POUND IN NEW YORK -- Close -1.6330 1.6305 1.6245 1.6020 1.6320 1.6294 1.6240 1.6014

Change +0.01 Est. vol 30,927 32,159 46,760 94.99 95.07 95.05 94.98 95.06 **TOTHER CURRENCIES**

CHU	55 KA	TES A	พบย	- TOTAL												-
EXCH/	NGF	CROSS	RAT	ES												
	1 10	BFr	Diff:	FFr		Æ	L	R	204	8	Pta	SKr	SPr	£	CS	
Belgium Belgium	(BPr)	100 .	18.46	16.25	4.849	1.927		5.466	20.57	496.0	411.5	21,51	4.098	1.634	3.942	_
Denmark	DK)	54.16	18	8.803	2,626	1.044		2900	11.14	268.6	222.9	11.65	2.219	0.885	2135	
France	(FFr)	61.53	11.36	10	2.983	1.786	2941	3.363	12.65	305.2	253.2	13.24	2521	1.005	2,425	
Септемоги	ČONO)	20.62	3.808	1,352	1	0.397	985.8	1.127	4.242	102.8	84.85	4,437	0.B45	0.337	0.813	-
releaci	(62)	51.89	9.550	8,434	2,516	1	2480	2.836	10.67	257.4	213.8	11.16	2.126	0.848	2.045	
	È.	2.092	0.386	0.340	0.101	0.040		0.114	0.430	10.38	8.610	0.450	-0.086	0.034	0.082	
Netherland		18.30	3,378	2,974	0.887	0.353			3,783	.90.74	75.30	3.935	0.750	0.299	0.721	
torney	(MKr)	48.62	8.977	7,902	2.357	0.937	2324	2657	10 -	241.7	200.1	10.46	1.992	8.794	1.918	
citional	(Es)	20,16	3.722	3.277	0,978	0.389		1.102	4.147	106	82.98	4.337	0.826	0.329	0.795	-
ipala	(Pts)	24.30	4.486	1.949	1.178	0.468		1.328	4.998	120.5	100	5.227	0.996	0.397	0.958	- (
Sweden	(SKI)	46.48	8.582	7.555	2,254	0.896		2.541	9.561	230.6	191.3	10	1.905	0.758	1,832	
i wilaya kund	(SFr)	24.40	4.506	3,986	1.183	0.470		1.334	5.019	121.0	100.4	5.250	1	0.399	0.962	- (
K	(2)	61. 2 1	11.30	9.949	2968	1,180		3.346	12.59	303.6	251.9	13.17	2.508	_ 1	2.413	- 1
acarla	(CS)	25.37	4.884	4.123	1,230	0.489			5.218	125.8	104.4	5.458	1.040	0.414	. 1_	(
ISA	89	37.50	6.924	8.095	1.818	0.729		2.050	7,713	186.0	154.3	8.068	1.537	0.613	1,478	
lapan	(1)	26.60	4.911	4.323	1.290	0.513		1.454	5.471	131.9	109.5	5.723	1.090	0.435	1.049	•
CU		40.79	7.530	8.629	1.978	0.786	1949	2.229	8.389	202,3	167.9	8.774	1.671	0.566	1.608	1
mid Secur																
					er te Rei	ine Anne	The Break	tie est he	et er 100.							
					古 珠 角	in janç	Yes, Design		per 100.				•			
	FTIBES (MM) DM 12	5,000 per l	<u> </u>					-		LA SE E/S	OPTIONS	£31,250	(cents per	pound)	
D-MARK	Open	MBA) DM 12 Sett price	5,000 per l Change	M High	Li Li	**	Batarol	Open lot.	-	KANEL PR	μ SE <u>8/5</u> 	OPTIONS —— CAI		icents per	_	_
D-MARK	Open 0,5491	Set pice 0.5523	5,000 per l Change +0,0034	M High 0,552	L 45	## 477	Bat.vol 30,419	Open let, 112,754	- <u>= PR</u>	LADELPH	₹9 38 AU bt.		<u> </u>	icents per Sep	pound) Jol	_
EP MARK	Open	Sett price 8.5523 0.5551	5,000 per (Change +0,0034 +0,0034	M High	L 45	## 477	Batarol 20,419 76	Open lot, 112,754 585	Strike Price	e and pr	-	CA	UB		_	_
BP MARK	Open 0,5491	Set pice 0.5523	5,000 per l Change +0,0034	M High 0,552	L 45	## 477	Bat.vol 30,419	Open let, 112,754	Strike Price 1.429	rair.	Jol.	CAL A	LS Q M	Sep	_	_
B D-MARK Sep Sec Ser	Open 0,5491 0,5550	Seti pice 8.5523 0.5576	5,000 per l Change +0,0034 +0,0034 +0,0034	High 0.532 0.536	L 45	## 477	Batarol 20,419 76	Open lot, 112,754 585	Strike Price	KATELPH	Jal 1.22	— CAI	LS Q 15 18	Sep 2.45	ᆆ	_
D-MARK Sep Sec Ser	Open 0,5491 0,5550	Sett price 8.5523 0.5551	5,000 per l Change +0,0034 +0,0034 +0,0034	High 0.552 0.552 Per SFr	9 4.5 3 0.5	## 477	Batarol 20,419 76	Open lat. 112,754 586 70	Shrike Price 1,420 1,430 1,430		Jul 1.22 0.34 0.03		15 Q 15 18 14	Sep 2.45 1.92	0.06 Jaj	
E CHARK Sap Sac Sac Sac Sac	Open 0,5491 0,5550	Seti pice 8.5523 0.5576	5,000 per 1 Chenge +0,0034 +0,0034 +0,0034 Fr 125,000 +0,0011	High 0.552 0.658 Per SFr	9 0.5 3 0.5	W 477 540	Batarol 20,419 76	Open lot, 112,754 585	Shrike Price 1,420 1,430 1,430		Jul 1.22 0.34 0.03		15 Q 15 18 14	Sep 2.45 1.92 1.49	0.06 Jaj	14,1
E D-MARK Sep Sec Sec Sec Sec	Open 0.5691 0.5550	Met) Day 12 Set price 0.5523 0.5551 0.5576 RES: (0.646) S	5,000 per 1 Chenge +0,0034 +0,0034 +0,0034 Fr 125,000 +0,0011	High 0.552 0.552 Per SFr	9 0.5 3 0.5	W 477 540	Set vol 30,419 76 62	Open lot, 112,754 585 70 100,649 331	Strike Price 1.429 1.939 1.949 Prestor	a day's vol.	Jul 1.22 0.34 0.03 Calls 62 Po	CAL Au 2.1 1,4 1,6 1,6	15 0 15 18 14 1. day's ope	Sep 2.45 1.92 1.49 1.49	Jol 0.06 0.69 1,831 Pals	14,1
D-MARK Sep Sec Sec	Open 0.5550	MM) DM 12 Set price 0.5523 0.5576 0.5576 MEX (0.64) S	5,000 per 1 Chenge +0,0034 +0,0034 +0,0034 Fr 125,000 +0,0011	High 0.552 0.658 Per SFr	2 2.6 3 0.5	503 586	Bat.vol 30,419 76 62 19,870	Open lot. 112,754 585 70	Strike Price 1.429 1.439 Freeton	a day's vol.	Jul 1.22 0.34 0.03 Calls 62 Po	CAI Ac 2.1 1.4 1.6 4.75 - Post	1.5	Sep 2.45 1.92 1.49	Jol 0.06 0.69 1,831 Pals	14,1
E CHIARK Sep Dec Ser Sep Sep Sep Sep Sep Sep Sep Sep	Open 0.5550	NAM) DW 12 Set pice 0.5523 0.5576 RES (0.64) S 0.6538 0.6561	5,000 per l Change +0,0034 +0,0034 +0,0034 FT 125,000 +0,0011 +0,0011	High 0.532 0.656 Per SFr 0.656 0.666	2.53 0.5 2.53 0.5	503 586	Bet.voi 30,419 76 62 19,870 78	Open lot, 112,754 585 70 100,649 331	Shifted Price 1.429 1.929 1.949 President	a day's vol.	Jul 1.22 0.34 0.03 Calls 62 Po	CAL 2.1 1.4 1.6 1.5 Pas 5445/5 (1)	1.5	Sep 2.45 1.92 1.49 a ac., Cada	Jel 0.06 0.69 1,831 Pets per 1060	14)
E C-MARK SEP SEC SMESS R SP SEC	Open 0.5550	Seti pice 0.5523 0.5551 0.5576 MES (0.64) S 0.6539 0.6596	5,000 per l Change +0,0034 +0,0034 +0,0034 FT 125,000 +0,0011 +0,0011	High 0.532 0.656 Per SFr 0.656 0.666	2.53 0.5 2.53 0.5	503 586	Bet.voi 30,419 76 62 19,870 78	Open lot, 112,754 585 70 100,649 331	Strike Price 1.420 1.420 1.420 Prestes Frestes Frestes Price	a day's vol.	Jul 1.22 0.34 0.03 Calls 62 Pr	CAL 2.1 1.4 2.6 2.5 Post CAL As	15	Sep 2.45 1.92 7.49 n st., Calle M62.500 (S	Jel 0.06 0.69 1,831 Pels per 1069	14,
G-MARK Sep - Sec - In SN(SS R Sec - Sec	Open (2,5497 (2,5550) MAMC FUTEI (1,6528 (1,6716)	NAM) DW 12 Set pice 0.5523 0.5576 RES (0.64) S 0.6538 0.6561	5,000 per l Change +0.0034 +0.0034 +0.0034 +0.0011 +0.0011 +0.0011 Yen 12.5m	High 0.532 0.656 Per SFr 0.656 0.666	2.53 0.5 2.53 0.5	9# 477 540 503 508	Bet.voi 30,419 76 62 19,870 78	Open lot, 112,754 585 70 100,649 331	Strike Price 1.428 1.439 1.647 Prestor Elife Price 8.545	a day's vol.	Jul 1.22 0.34 0.03 Calls 62 P. SA SE D-1	CAI As 2.1 1,4 2.6 25. Pos CAI CAI CAI CAI CAI CAI CAI CAI CAI CAI	11.5	Sep 2.45 1.92 1.49 n tc, Calle M62.500 (S	Jel 0.06 0.69 1,831 Pets per 1069	144
SOP DEC SET STAISS F SOP DEC SET STAISS F	Open 0.5497 0.5550	840 pulse 0.5523 0.5551 0.5576 823 pulse, S 1.6539 0.6661 0.6661	5,000 per l Change +0,0034 +0,0034 +0,0034 +0,0011 +0,0011 40,0011 Yen 12,5m	MA High 0.5521 0.6562 Per SFr 0.6565 0.6666 0.6666 Per Yen 1	2 1.6 3 0.5 3 0.5 5 0.8	987 477 540 503 508	Batwol 30,419 76 62 19,870 78 20	Open lot. #12,754 595 70 100,649 331 17	Strike Pros 1,626 1,626 1,636 Proto Freito Strike Pric 2,545 0,557	a day's vol.	Jul 1.22 0.34 0.03 Calls 52 Pd 54 SE 0-1 1.01 0.46 0.06	CAN 2.1 1,4 1,6 2.7 2.6 2.7 2.6 2.7 2.6 2.7 2.6 2.6 2.6 2.6 2.6 2.6 2.6 2.6 2.6 2.6	1.5	Sep 2.45 1.92 7.49 n sc., Cade M62.500 (S	Jel 0.06 0.89 1,831 Pels per 10kg	14,1
E CHIARK Sep Dec Ser Sep Sep Sep Sep Sep Sep Sep Sep	Open (2,5497 (2,5550) MAMC FUTEI (1,6528 (1,6716)	NAM) DW 12 Set piles 0.5576 0.5576 RES (MAN) S 0.6538 0.6538 0.6651	5,000 per l Change +0.0034 +0.0034 +0.0034 +0.0011 +0.0011 +0.0011 Yen 12.5m	High 0.532 0.636 per SF7 0.636 0.656 0.6567	2 0.6 3 0.5 2 0.6 6 0.8	503 503 506	Bit.vol 30,419 76 62 19,570 78 20	Open lot. 112,754 505 70 100,849 331 17	Strike Pros 1,626 1,636 1,636 Proto Freito Strike Pric 0,565 0,565	i dey's vol.	Jul 122 0.34 0.03 Calls 62 Pc	CAN An	LS —— US 16 16 16 16 16 16 16 16 16 16 16 16 16	Sep 2.45 1.92 1.49 n tc, Calle M62.500 (S	Jel 0.06 0.69 1,831 Pats per 1985 Jul 0.07 0.45	_

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F.X. FUTURES & OPTIONS 24 HOURS	Jul 18 Over- 7 days night notice
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PUTURES OPTIONS BERKELEY FUTURES LIMITED	Bank Bills Local authority days. 7% - 7 7% - 7% Discount Madest deps 7% - 7% 7% - 7%
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OFFSHORE COMPANIES

EUROPEAN DEPOSITARY RECEIPTS (EDR) BEARER DEPOSITARY RECEIPTS (BDR)

Issued by Morgan Guaranty Trust Company of New York Brussels Office

Dividend	Payment Date	Cooper	Green ARTOURIN (in USD)	Not unfound (-15% tax) (in USD)	Net amount (-20% tax) (in USD)
Assiri Chemical Industry BDR	17/07/98	50	0A286	0,3643	0.3428
Honia Motor Co EDR	14/07/98	46	0,6388	0.5429	0.511

Paying agents: Bank Brussels Lambert, Belgium Crédit Européen, Luxembourg

EDR and BDR holders who wish to and are entitled to receive payment of dividend under deduction of 15% Japanese withholding tax must provide the depositary or Bank Brussels Lambert with a declaration of residence by October 17, 1998.

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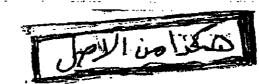
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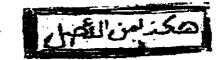
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Sheeter glaves up to Free Y Trons 16-per 1981: Each 12-per 1980: Trons 9-per 1980: Trons 9-per 1980: Trons 10-per 1980: Trons 1	Prior 2	8m day 908 M/30 Su 3,909 M/30 Su 3,909 M/30 M/30 Su 1,900 J/15 Ju 1,900 J/15 Ju 1,000 Su 1,0	23 12 23 23 23 23 23 23 23 23 23 23 23 23 23	Trees 10p. Frank 10p. Frank 91g Case	2004 2014 2014 2014 2014 2014 2015 20	Prim E	## 20 dos 1.3 23 Wrts My18 2.3 543 July 14 2.3 543 July 14 2.3 543 July 14 2.3 543 July 14 2.3 643 Jul	11.5 - 3.7 12.6 16.5 16.5 16.5 16.5 16.5 16.5 16.5 16	Indicated State 1 State 1 State 1 State 1 State 1 State 1 State 2 Stat		194 194 194 195 195 195 195 195 195 195 195 195 195	01 01 01 01 01 01 01 01 01 01 01 01 01 0	2 kg/2 2 kg/2 2,750 kg/2 1,150 kg/2 1,150 kg/2 2,550 kg/2 2,550 kg/2 3,975 kg/2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	1 Mag 2 1 Mag	ni line 18.5 - 18.3 1316 18.3 1316 18.4 1255 19.7 1314 11.5 1518 16.2 1519 19.2 1320 19.1 1321 19.4 1322 19.7 1323 19.1 134
Shorter glives up to Fire Y Trees 16-per 1881: Each 12a- 1988: Trees 9-per 1988: Trees 9-per 1988: Trees 10-per 1989: Trees 10-per 2000: Trees 10-	Prior 2	900 Mr30 St. 3,900 Mr30 St. 3,900 Mr30 St. 1,900 Jy15 Jul 5,700 Billichis 1,920 St25 Ib 1,222 Hr10 1,222 Hr10 1,223 Hr10 1,233 St31 Hr	23.1 (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) 21.3 (2) (2) (2) (2) (2) (2) (2) (2) (2) (2)	Trees 10p. Frank 10p. Frank 91g Case	2004 2014 2014 2014 2014 2014 2015 20	Prim E	## 20 dos 1.3 23 Wrts My18 2.3 543 July 14 2.3 543 July 14 2.3 543 July 14 2.3 543 July 14 2.3 643 Jul	11.5 - 3.7 12.6 16.5 16.5 16.5 16.5 16.5 16.5 16.5 16	Indicated State 1 State 1 State 1 State 1 State 1 State 1 State 2 Stat		194 194 194 195 195 195 195 195 195 195 195 195 195	01 01 01 01 01 01 01 01 01 01 01 01 01 0	2 kg/2 2 kg/2 2,750 kg/2 1,150 kg/2 1,150 kg/2 2,550 kg/2 2,550 kg/2 3,975 kg/2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	1 Mag 2 1 Mag	ni line 18.5 - 18.3 1316 18.3 1316 18.4 1255 19.7 1314 11.5 1518 16.2 1519 19.2 1320 19.1 1321 19.4 1322 19.7 1323 19.1 134
Sheeter Glove up to Fee Y Tross 16-per 1981 Tross 9-per 19891; Tross 9-per 19891; Tross 10-per 19891; Tross 10-per 1989; Tross 10-per 1989	Prior 2	988 day 988 Mr30 St 3.988 Mr30 St 3.988 Mr30 Mr30 St 1.990 Mr30 St 5.970 Mr30 Mr30 St 5.970 Mr30 Mr30 Mr30 Mr30 Mr30 Mr30 Mr30 Mr3	23 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	Trems 100- He Funding 31 Funding	2004 2014 2014 2014 2014 2014 2015 20	Prim E	## 20 dos 1.3 23 Wrts My18 2.3 543 July 14 2.3 543 July 14 2.3 543 July 14 2.3 543 July 14 2.3 643 Jul	11.5 - 3.7 12.6 16.5 16.5 16.5 16.5 16.5 16.5 16.5 16	Indicated State 1 State 1 State 1 State 1 State 1 State 1 State 2 Stat		194 194 194 195 195 195 195 195 195 195 195 195 195	01 01 01 01 01 01 01 01 01 01 01 01 01 0	2 kg/2 2 kg/2 2,750 kg/2 1,150 kg/2 1,150 kg/2 2,550 kg/2 2,550 kg/2 3,975 kg/2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	1 Mag 2 1 Mag	ni line 18.5 - 18.3 1316 18.3 1316 18.4 1255 19.7 1314 11.5 1518 16.2 1519 19.2 1320 19.1 1321 19.4 1322 19.7 1323 19.1 134
Sheeter glaves up to Free Y Trees 16-gar 1981; Each 17a- 1988 Trees 19-gar 1995; Trees 19-gar 1995; Trees 19-gar 1995; Trees 10-gar 1999; Trees 10-gar 1999; Trees 10-gar 1999; Trees 10-gar 1999; Trees 19-gar	Prior 2	98 day 98 M20 St 3,909 M20 M 1,900 M20 M 1,700 M22 M 1,700 M 1	23.1 (20) 21.3 (20) 21.3 (20) 21.3 (20) 21.3 (20) 22.3 (Trees 10pm	2004 196 4	Prime	## 20 dos 1.3 23 Perts My18 0.3 543 And 1/3 3 2412 Apt2 0/25 0.3 6492 0/25 Apt2 0.3 4942 0/25 Apt3 0.3 2500 Perts My18 0.3 2500 Perts My18 0.3 11,700 Apt 0/2 0.3 11,000 Apt 0/2 0.4 800 Apt 0/25 Apt 0/25 0.4 800 Apt 0/25 0.5 800 Apt	11.5 - 3.7 12.6 16.5 16.5 16.5 16.5 16.5 16.5 16.5 16	Indicated State 1 State 1 State 1 State 1 State 1 State 1 State 2 Stat		194 194 194 195 195 195 195 195 195 195 195 195 195	01 01 01 01 01 01 01 01 01 01 01 01 01 0	2 kg/2 2 kg/2 2,750 kg/2 1,150 kg/2 1,150 kg/2 2,550 kg/2 2,550 kg/2 3,975 kg/2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	1 Mag 2 1 Mag	ni line 18.5 - 18.3 1316 18.3 1316 18.4 1255 19.7 1314 11.5 1518 16.2 1519 19.2 1320 19.1 1321 19.4 1322 19.7 1323 19.1 134
Shorter Blows up to Fire Y Tross 16-per 1981: Each 12-per 1982: Tross 9-per 1982: Tross 9-per 1982: Tross 10-per 1982: Tross 10-per 1982: Tross 10-per 1983: Tross 10	Prior 2	938 day 938 Mr30 St 3,829 Mr30 St 1,930 Jr15 Ja 1,930 St	23 12 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 12.5 12.5 20 11.5 12.5 12.5 12.5 12.5 12.5 12.5 12.5	Trees 100 Frank 100 Frank 100 Frank 100 Case 91g Case 91g Case 91g Case 91g Trees 100 Tree	2004 2004 2004 2004 2004 2005 20	Prime : Prime : 1177-1183-1177-1183-1177-1183-1177-1183-1177-1183-1177-1183-1177-1183-1177-1183-1183	## Bin don 1.3 23 Wrts My18 2.3 543 And 1476 2.3 543 And 1476 2.3 543 And 1476 2.3 482 Great And 2.3 11,700 And 3.3 1,700	11.5 - 3.7 12.6 14.1 12.6	Indicated Stage 12 Tage 17 Tag		194 194 194 199 199 199 199 199 199 199	01 01 01 01 01 01 01 01 01 01 01 01 01 0	2 kg/2 2 kg/2 2,750 kg/2 1,150 kg/2 1,150 kg/2 2,550 kg/2 2,550 kg/2 3,975 kg/2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	1 Mag 2 1 Mag	ni line 18.5 - 18.3 1316 18.3 1316 18.4 1255 19.7 1314 11.5 1518 16.2 1519 19.2 1320 19.1 1321 19.4 1322 19.7 1323 19.1 134
Shorter glives up to Free Y Trees 16-per 1981: Trees 16-per 1982: Trees 91-per 1982: Trees 1983: Trees 1983: Trees 1983: Trees 1984: Trees 1985: Trees 1986: Trees 19	Prior 2	938 day 938 Mr30 St 3,829 Mr30 St 1,930 Jr15 Ja 1,930 St	23 12 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 12.5 12.5 20 11.5 12.5 12.5 12.5 12.5 12.5 12.5 12.5	Trees 10p. Trees	2004 2004 2006 20	Prime	## 20	11.5 - 3.7 12.65 17.4 12.65 18.5 18.6 18.6 18.6 18.6 18.6 18.6 18.6 18.6	Indicated Stage 12 Tage 17 Tag		194 194 194 199 199 199 199 199 199 199	01 01 01 01 01 01 01 01 01 01 01 01 01 0	2 kg/2 2 kg/2 2,750 kg/2 1,150 kg/2 1,150 kg/2 2,550 kg/2 2,550 kg/2 3,975 kg/2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	1 Mag 2 1 Mag	ni line 18.5 - 18.3 1316 18.3 1316 18.4 1255 19.7 1314 11.5 1518 16.2 1519 19.2 1320 19.1 1321 19.4 1322 19.7 1323 19.1 134
Shorter glives up to Free Y Trees 16-per 1981: Trees 16-per 1982: Trees 91-per 1982: Trees 1983: Trees 1983: Trees 1983: Trees 1984: Trees 1985: Trees 1986: Trees 19	Prior 2	938 day 938 Mr30 St 3,829 Mr30 St 1,930 Jr15 Ja 1,930 St	23 12 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 20 11.5 12.5 12.5 12.5 12.5 12.5 12.5 12.5	Trees 10p. Free 10p.	2004 200	Prime : 1184 1185	## 9m dom 1.2 23 Wrts My18 0.3 542 And 1/2 0.3 542 And 1/2 0.3 542 And 1/2 0.3 542 And 1/2 0.3 642 0 Graf Ayr8 0.3 22 M/20 S/20 0.3 11/70 J/2 J/2 0.3 11/70 J/2 0.3 11	11.5	Indicated Stage 12 Tage 17 Tag		100 in 1967:	\$ 0.1 0.1	2 usy2 2,150 M22 2,150 M22 2,150 M22 2,250 July 2,255 My2 3,100 Fe35 My2 3,100 Fe35 My2 3,000 Juli 4,550 July 3,000 Juli 4,550 July 3,000 April 4,550 April 4	2 W22 5 504 1 W29 1 W29 1 W29 1 W29 1 W29 1 Jy25 1 Jy25 1 Jy27 1	nd Ina 18.5 - 19.3 1316 11.5 1317 11.5 1317 11.5 1317 11.5 1317 11.5 1317 11.5 1318 10.2 1318 10.2 1318 10.4 1322 10.7 1323 10.1 1314 10.5 13
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EUROPEAN OVERVIEW

By Simon Bavies

The bull market in transRuropean equities continued to stumble on Friday as fears about the impact of volatile markets in Asia and Russia encouraged further

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The Eurotop 300 discussions over a strategic allience or merger with Italian competitor Fiat. BMW overall view of European equities.

The Eurotop 300 discussions over a strategic allience or merger with Italian competitor Fiat. BMW overall view of European equities.

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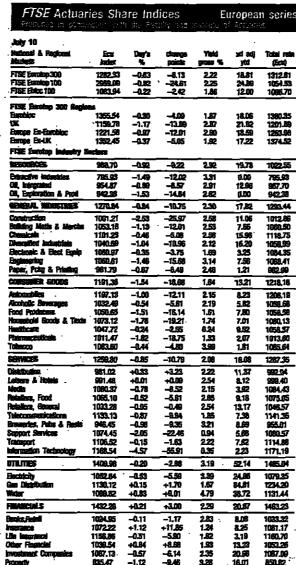
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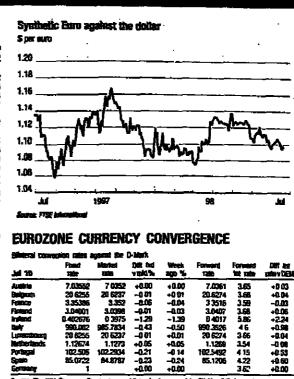
first wave of monetary ing information technology strategist Albert Edwards. union, ended the week at sector fell back to earth, 1,083.94. from the US where the producer price index numbers were slightly higher than expected, which brought to a halt the ongoing flight to safety and, therefore, to government bonds.

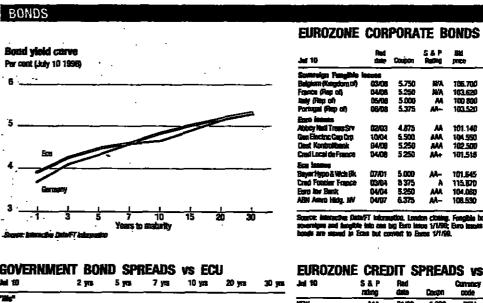
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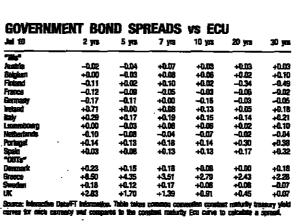
The financials sector finished the week strongly, yulled higher by German insurance group Allianz, which safety and, therefore, to government bonds. tary on the outlook. Cap should trade at a discount to Gemini's shares closed at the euroland average p/e and

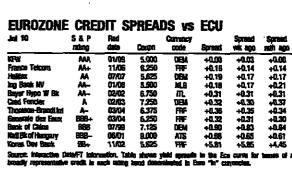


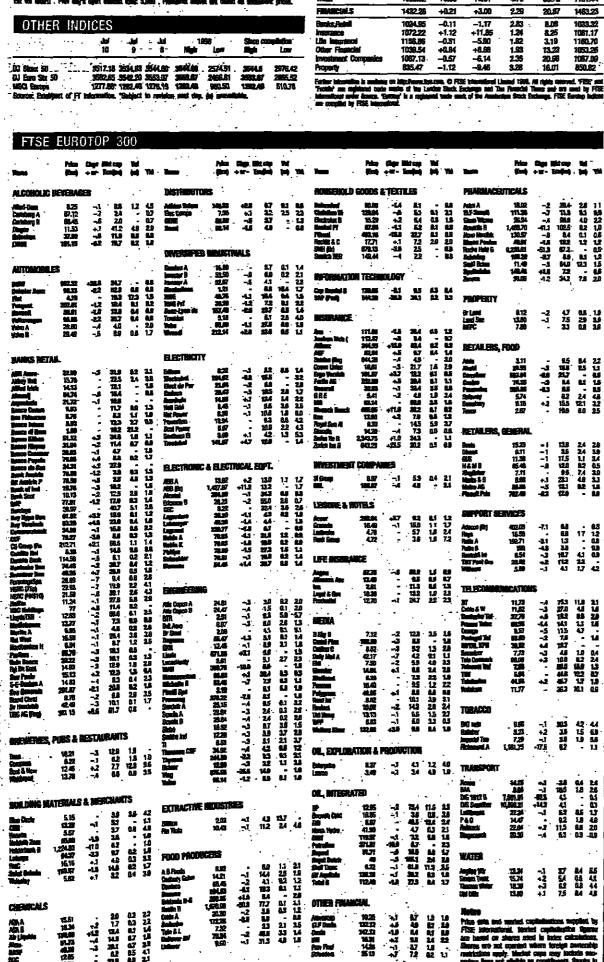
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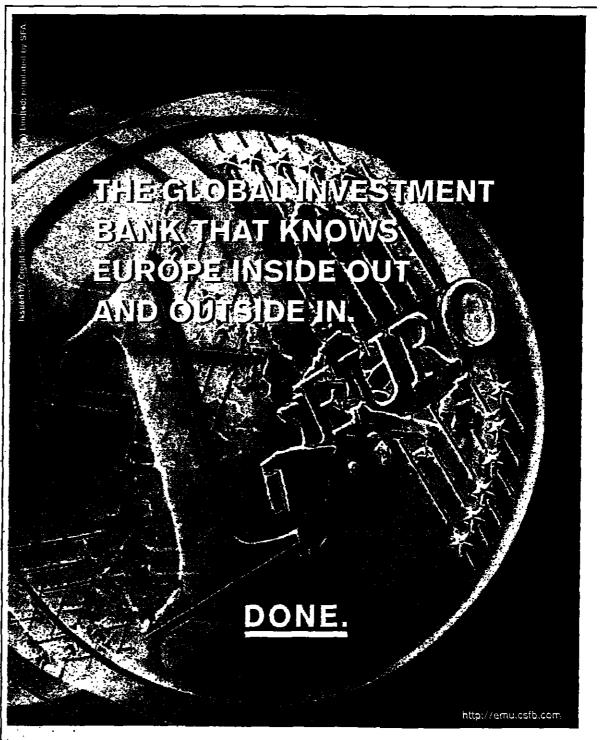






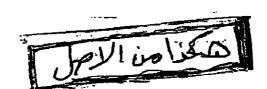
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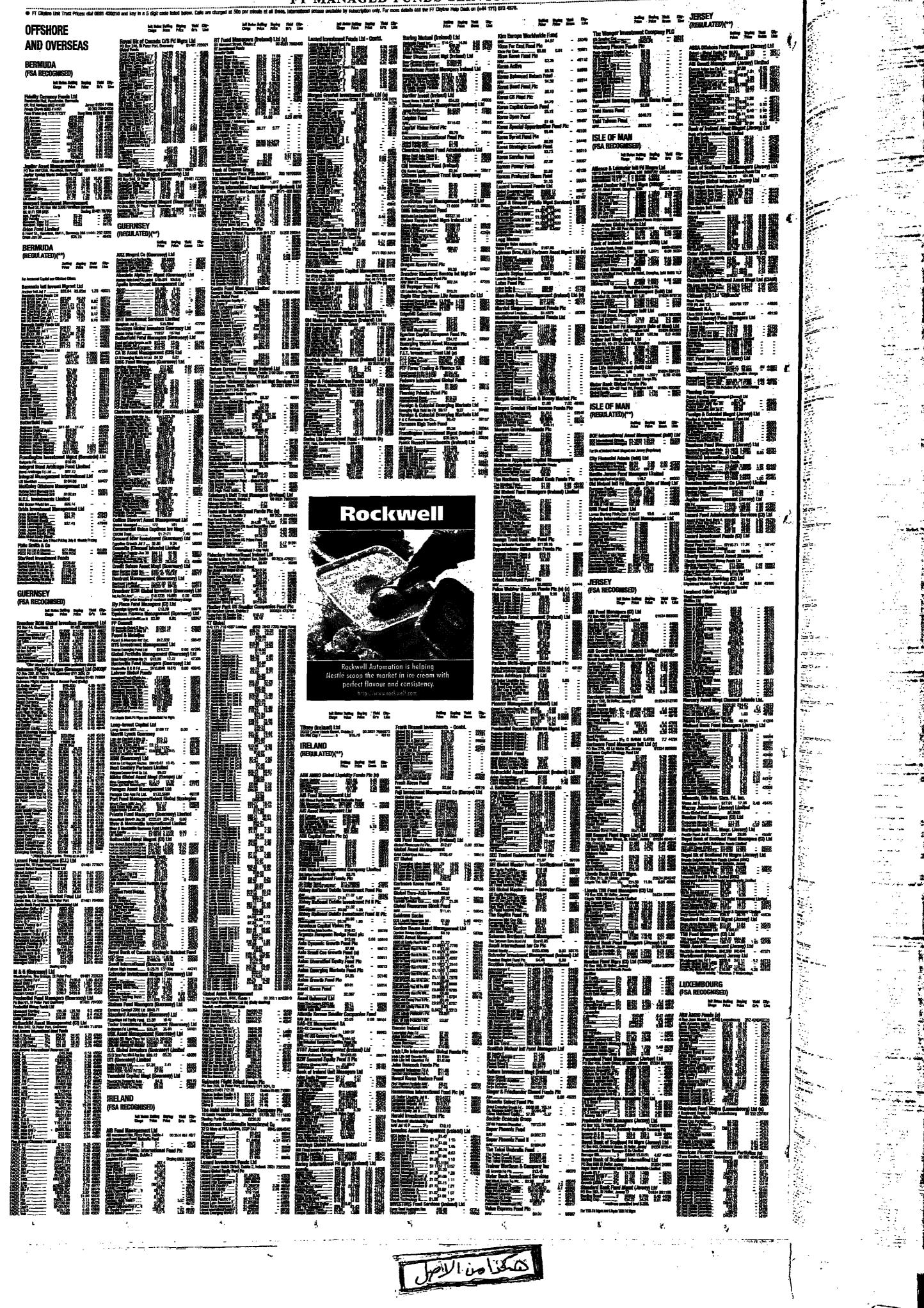
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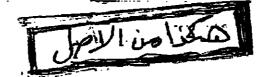
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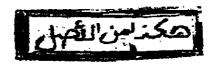
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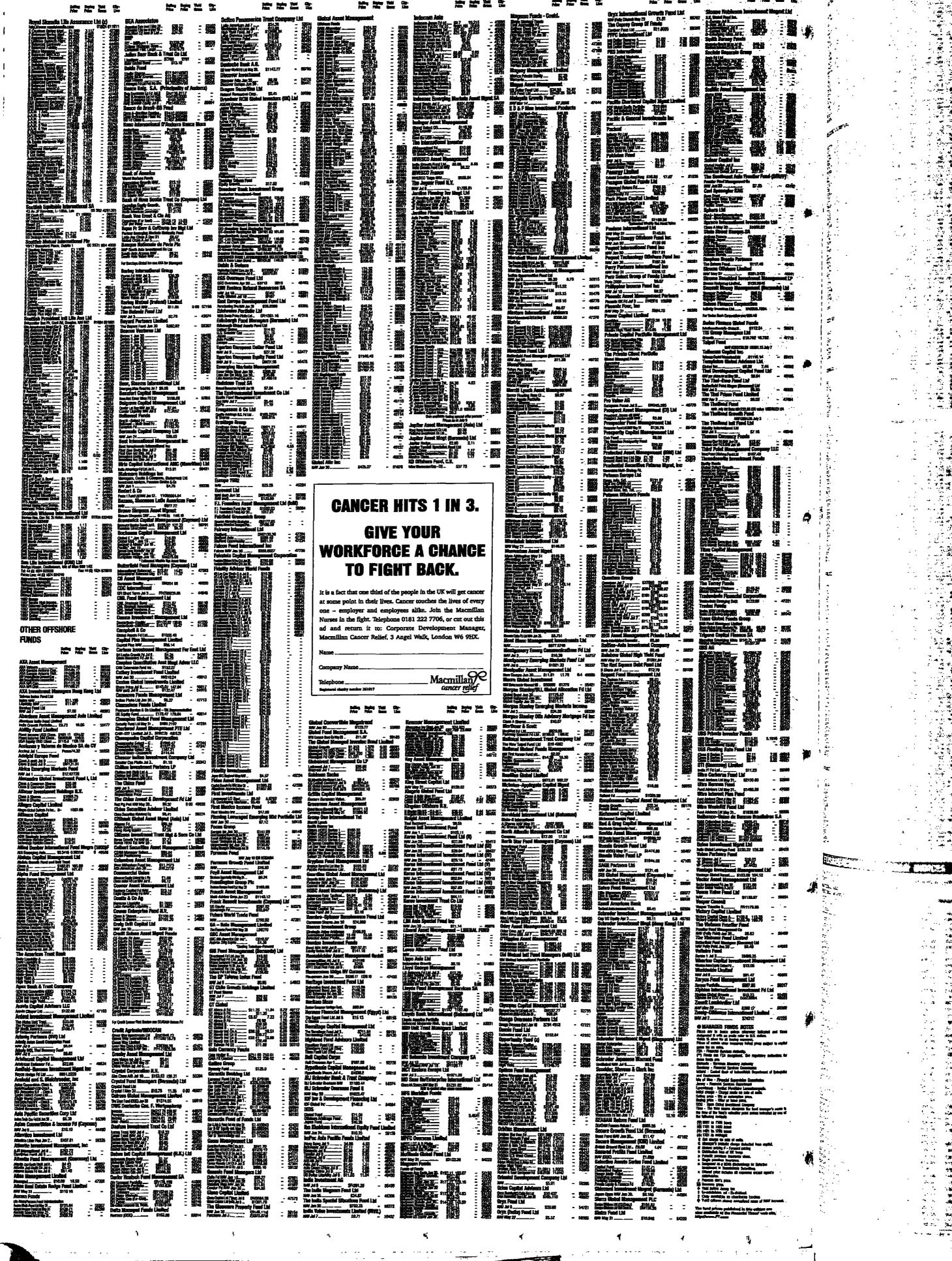
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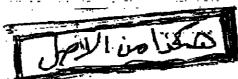
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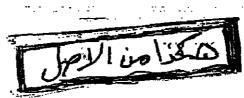
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es ended allgibly off in moderate trade as lawestus stoyed away after Thursday's die 1986 1994 482.51 454.07 456.00 475.00 25/5	369.09 12/1 1.59 22.2	Bases Corn Ref . 1543.1	4 1553.29 1540.67 1864.36 74	254.04 2/1 1.29 31.3 1672.25 2/1	JSE Bold 1022.29 JSE led. 8372.39	8413.8 869.8 9842.76 204 6715.18 12/1	295 128
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FT GUIDE TO THE WEEK

MONDAY 13

Defence review

The UK House of Commons defence committee today begins an intensive series of hearings on the government's strategic defence review, published last week. Defence ministers and military top brass will be questioned on the review's proposals to create more modern, rapidly deployable forces. The all-party committee, chaired by Bruce George. kicks off by griffing George Robertson, defence secretary, today and General Sir Charles Guthrie, chief of the defence staff, tomorrow. Hearings continue until July 23. The committee will publish a report in early autumn.

Membership talks

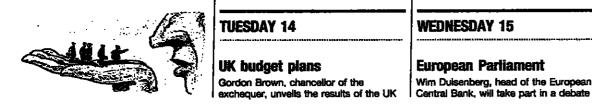
European EU applicant countries and Cyprus meet for the third time to compare notes on progress in talks with Brussels. All six are keen to speed substantive membership talks. At Ljubilana they plan to agree a common timetable for handing their opening negotiating positions to the Austrian EU presidency. The positions will cover subjects like telecommunications, which have already been screened. The Austrians have said they will press the EU member countries to start talks if these come in by September 15.

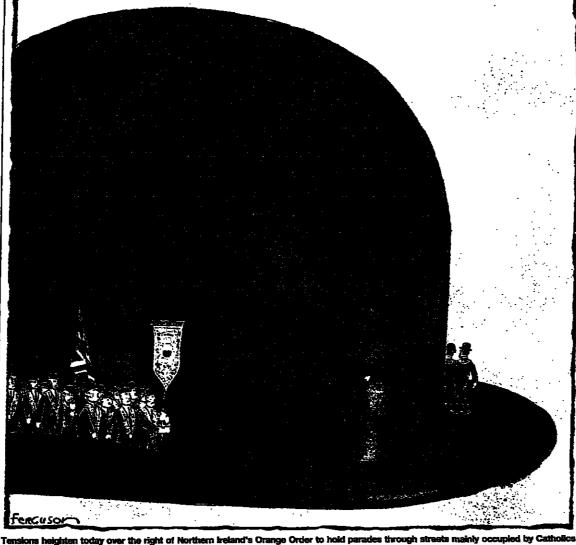
Austrian plans

Austria's Wolfgang Shüssel will tell fellow foreign ministers of European Union nations about his country's priorities for its six-month EU presidency, which began last week. At a meeting in Brussels he will outline Austria's plans to progress the "Agenda 2000" package to reform the common agricultural policy and regional aid funds. The start of substantial negotiations with countries seeking EU membership is another alm. Meanwhile in Vienna, officials from the 15 EU countries will begin a two-day conference on EU tax harmonisa another of Austria's presidential

Small concerns

A team of Commonwealth ministers representing the interests of small states will be in Geneva for talks with the World Trade Organisation and the United Nations Conference on Trade and Development. The mission, led by prime minister Owen Arthur of Barbados, was established by Commonwealth heads of government last October to ensure better consideration of the needs of small states in international trade and finance arrangements. The team, which also includes ministers from Lesotho, Mauritius, Fiji and New Zealand, has already visited the IMF and World Bank in Washington and goes to the European Commission in Brussels on Tuesday.





General Motors

General Motors' annual two-week summer shutdown erids. The company had been planning to resume production of 1999 models but that could be hit by the continunation of a one-month long strike by the United Auto Workers union at two parts plants in Flint, Michigan.

Rights review

The United Nations Human Rights Committee meets in Geneva for three weeks to examine compliance with the International Covenant on Civil and Political Rights. Six countries - Ecuador, Israel, Italy, Algeria, Macedonia and Tanzania - are due for review. The 1966 covenant, which has 140 states parties, upholds the right to life and liberty, prohibits torture and other degrading treatment, and safeguards freedom of thought, conscience and religion.

Holidays France, Montenegro.

TUESDAY 14

UK budget plans Gordon Brown, chancellor of the

government's comprehensive spending review, which will fix budgets for all covernment departments for the next three years. Last month he announced total public spending would grow by up to 2¼ per cent in real terms from 1999 to 2002. Health and education are expected to get the lion's share of the extra money to help them meet the government's election pledges. Transport, the Home Office and government science funding are also likely to see increases. The government has already announced ower than expected defence cuts.

Bilateral summit A two-day Italian-Spanish bilateral

summit gets under way in La Granja,

FT Survey

Holiday

WEDNESDAY 15

European Partiament Wim Dulsenberg, head of the European

on the work of the European Monetary Institute and progress towards economic and monetary union at the last session of the European Parliament in Strasbourg before the summer recess. Earlier in the week-long session, MEPs will consider common EU Immigration rules, updated laws on food additives, moves to boost the clothing industry and improve conditions for farm animals transported between EU countries, and debate the dangers posed by the growth of religious fundamentalism. Also on the agenda is a plan for proportional representation in electing MEPs and, more controversially a suggestion that 10 per cent of MEPs be elected from a single EU-wide constituency.

WTO head hunt

The Geneva-based World Trade Organisation launches its search for a new director-general to succeed Renato Ruggiero of Italy, who retires next April. Nominations open today and close on October 1, with an end-year target date for the final selection. The next WTO



chief is not supposed to be a European but otherwise the field is wide open. Names being circulated unofficially include Mike Moore, former New Zealand prime minister, Roy MacLaren, former Canadian trade minister, Supachai Panitchpakdi, deputy prime minister of Theiland, and Hassan Abouyoub, former trade minister of Morocco.

Investment view

Top officials from Asian nations meet in New Dethi to discuss international Investment arrangements and their implications for developing countries. The two-day symposium, one of a series organised by the United Nations Conference on Trade and Development (Uncted), aims to prepare the ground for effective participation by poorer nations in multilateral talks on investment rules. The European Union, in particular, is keen for investment talks to start in the World Trade Organisation in 2000.

OECD seminar

The Organisation for Economic Co-operation and Development holds a seminar on bribery and corrupt business practices in Paris (To Juty 17).

THURSDAY 16

IT tariff talks

Negotiators meet at the World Trade Organisation in Geneva to try again for a pact on eliminating tariffs on certain information technology products. The 44 members of the WTO's information technology agreement missed their self-imposed June 30 deadline but hope to reach agreement during this two-day meeting. IT Association members signed up last year to a pact scrapping tariffs by 2000 on a wide range of computer and telecoms goods, which they now want to extend. Sticking points are the new phase-out timetable and whether consumer electronics should be included

India nuclear meeting

Senior envoys from the US and India are due to meet in Frankfurt to discuss the possibility of India joining a global nuclear test ban pact.

FT Survey Reporting Britain.

FRIDAY 17

EU budget fears

European Union ministers meet in Brussels to discuss the EU's budget amid fears by non-governmental organisations that they will lose grants. The European Court of Justice recently questioned the basis on which aid for some social projects was paid out and affectively increased the ability of EU member states to halt projects favoured by the European Parliament and the European Commission. The Commission has been reviewing a range of "budget lines" thought to be worth collectively more than Ecu 500m a year.

Tsar laid to rest

The burial of the remains of Russia's last tsar Nicholas II, empress Alexandra, their children and several servents takes place in St Petersburg 80 years after they were murdered by the Bolsheviks at Yekaterinburg. The remains will be placed in the Peter and Paul cathedral, resting place of Russian emperors since

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Wild dancing

The annual World Lion Dance Championship is held at Genting, Malaysia (To July 19).

inkatha congress

South Africa's opposition inkatha Freedom Party holds its annual congress at Ulundi – Its last big gathering before 1999 elections (To July 19).

FT Survey Darivatives.

Holiday

South Korea.

Peace progress

SATURDAY 18

UN secretary general Kofi Annan visits Guatemaia to evaluate the peace process a year and a half after UN-brokered peace talks ended a 36-year guerrilla conflict; Annan will interview President Alvaro Arzu and the full cabinet will present a report on the advances in the peace process (To July 20).

Tirana talks

International donors hold a conference in Tirana to review the results of their aid to Albania.

Rugby Union

Australia take on South Africa in the Tri-nations at Perth.

FT Survey

Quarterly Review of Personal Finance (UK editions only).

SUNDAY 19

Tall ships sail The 1998 Cutty Sark Tall Ships Race gets under way from Falmouth, Comwall.

Diplomatic voyage

Two British navy ships dock at the Syrian port of Latakia for the first such visit in

Motor cycling

The German round of the 125cc, 250cc and 500cc championships take place at the Saschsenring.

Compiled by Roger Beale

ECONOMIC DIARY

Other economic news Monday: Japanese machinery

orders are thought to have

rebounded in may after April's blg drop. UK raw material prices are thought to have dropped in June, with output price inflation also a shade lower. Higher wages should have pushed up German retail sales in May. Tuesday: The annual rates of US consumer price inflation are thought to have risen slightly in June, reflecting higher housing and medical costs. Vehicle purchases are also thought to have pushed up US retail sales. Wednesday: Japan's merchandise trade surplus is forecast to have risen again in June, reflecting weak demand for imports. UK retail price inflation should have fallen in

June. Unemployment in the UK is expected to have resumed its fall in June, following May's small increase. Average earnings growth in the UK is thought to have been unchanged in April. Thursday: Strikes at GM are thought to have depressed US industrial production last month, with capacity utilisation falling as well. Friday: The US balance of payments deficit is forecast to have widened again in May.

Day Released	d Country	Ecocomic Statistic	Median Forecast	Previous Actual	Day Released	d Country	Statistic	Median Forecast	Pre
Mon	Japan	May machinery orders ex elec'/ships**		-17.8%		Canada	May manufacturing new orders	0.6%	-0.3
July 13	Jepan	May machinery orders ex elec'/ships		-16.8%		Canada	May menufecturing shipments"	0.6%	-0.6
	UK	June producer price index input*	-1.0%	0.3%		US	June export price Index	:	0.19
	UK	June producer price index input**	-9.0%	-8.9%		US	June import price Index	`	-0.19
	UK	June producer price index autput"	-0.2%	0.1%		Japan	June broad liquidity**	· ·	2.9%
	UK .	June producer price Index output**	0.8%	0.9%	Thurs	UK	June public sector borrowing regiment	24.0bn	£2.5
	UK -	June prod pri ktx ex food/drink/tob**	0.0%	0.0%	July 16	Canada	June cons' price index all items not!"	0.1%	0.4%
	UK	June British Retail Consortium survey		3.7%		us	Initial claims July 11	389k	392k
rues -	UK	June retail price index*	0.1%	0.6%		UŞ	State benefits July 4	774 6 3	2411
luly 14	üK	June retail price index**	3.9%	4.2%		US	June industrial production	-0.3%	0.5%
	UK	June retail price indx ex mortgages**	3.0%	3.2%		US	June capacity utilisation	81.7%	82.29
	US	June consumer price Index	0.2%	0.3%	,	US	July Philadelphia Fed Index	15:0	28.2
	US	June cons' price indx ex food/energy	0.2%	0.2%	Fri	Germany	May trade balance	DM12.0bri	DM1
	US	June retail sales	0,4%	0.9%	July 17	Germany	May current account	DM0.0bn	DM2
	US	June retail sales ex auto	0.2%	0.4%		US	May trade: goods and services	-\$14.5bn	-\$14.
	US	June Atlanta Fed Index		18.6		US	May goods/services export (bal of pay)	\$77.5bn	\$77.1
	ŲS	BTM-Schroders July 11		0.3%		US	May goods/services import (bal of pay)	\$92.0bn	\$91.6
	US	Real earnings		0.6%		us	July Michigan Sentiment preliminary**	105.5	105.6
Veda	Japan	May industrial production;		-2.0%	During ti	the week			:
tuty 15	Japan	May shipments†		0.2%		Japan	May current account (IMF) noti	Y1.32tn	Y869
	Italy	May industrial production*†	0.8%	-0.2%		Japan	May trade balance (IMF) not?		Y912
	UK	June unemployment ·	-5.0k	1.7k		Japan	May foreign bond investment		Y2.8t
	UK	Apr average earnings	5.2%	5.2%	-	Germany	June wholesale price index*	-0.2%	-0.49
ſ	UK	May unit wages three months**	6.1%	6.4%		Japan	June trade bat' (customs cleared) not?		Y959
	US	May business inventories	0.3%	0.2%	inough on mor	nth, "year on	year, †seasonally adjusted Statistics, co	contesy Standard	& Poor

- **ACROSS** 1 This young woman's rejec-tion makes a man angry (6)
- 4 Several horses right to take for a ride outside (6)
 8 What one thinks of love taking wing? (7)
 9 Celebrations it's safe to
- arrange (7)
- 11 Christlan virtue fills a need, somehow (4-6) 12 This oven has a ring out-
- side for roasting (4)
 13 US sples capture the Spanish girl (5)
 14 Form of seafood not put out
- on board (8)
- mother (4)
 21 People responsible for the upkeep of the neighbour falls to survive (4.3)
- novel (6)
 26 Worst cry of pain to give (6)

- by outstanding female cel-list (2.3)
- Wary, I'm raising new fund with a pound (7)
 No longer an individual to
- 5 No longer an individual to esteem, that's clear (9) 5 Hearing noisy neighbour could be one (5) 6 Trandy goods need not be ordered, presumably (2,5) 7 Old statesman happy to put on weight (9)
- on weight (9) 10 Dissipated period died out 13 Harlequin's favourite
- 16 A bloomer ~ a miserable danger! (8)

 18 Unfinished book shelf (5)

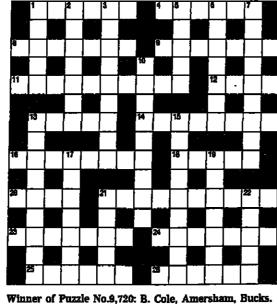
 20 She takes me back to mother (4)

 19 December (4)

 10 A bloomer ~ a miserable flower (9)

 15 Musketeer's call for a non-share policy? (3,3,3)

 17 Visa arranged in time for escape (7)



MONDAY PRIZE CROSSWORD No.9,732 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday July 23, marked Monday Crossword 9,732 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday July 27. Please allow 28 days for delivery of prizes.

Address

Solution 9,720



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